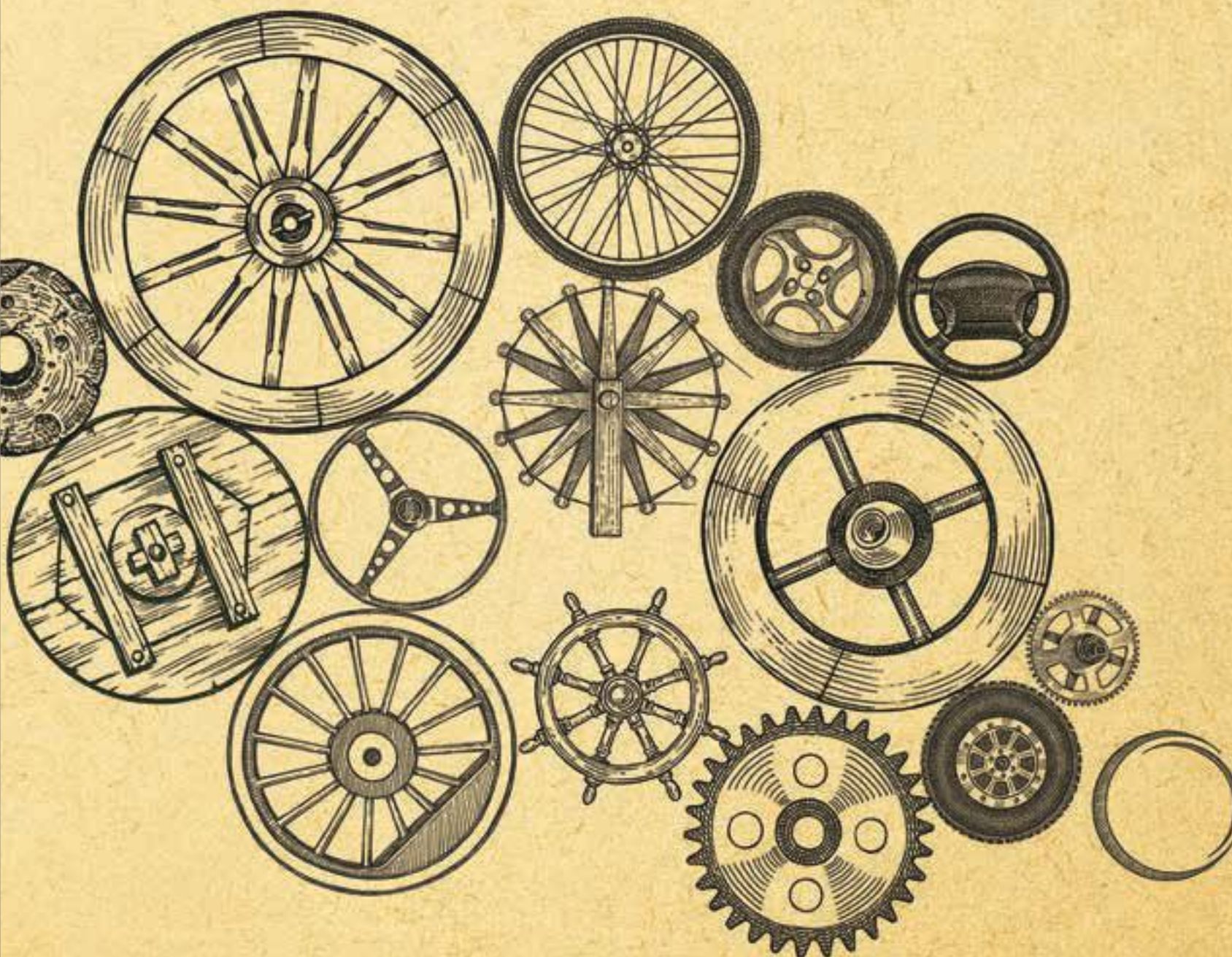




AN UNBEATEN CENTURY

CHRONICLING A 100 YEARS OF KARUR VYSYA BANK



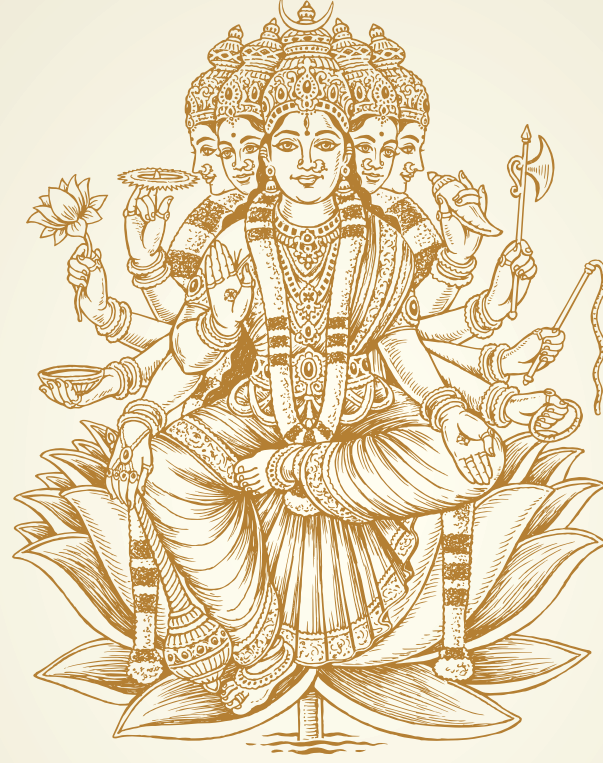
SRIRAM V

The story of Karur Vysya Bank is a forseeing example of Make In India. While this may not be an organisation that manufactures products in the conventional sense, it is in every way a bank that is rooted to Indian values and strives for excellence within that framework. In the process, the bank has grown, keeping alive its culture and becoming a top-ranking business institution.

Begun in Karur by MA Venkatarama Chettiar and Athi Krishna Chettiar in 1916, KVB initially catered to the clientele in its immediate surroundings. Within a few years it began expanding, to set up branches in business and agricultural centres in the southern districts of the erstwhile Madras Presidency. With the coming of Indian Independence, the bank aligned itself to national mainstream economic interests and modified its style of working to suit the legislations of the times and the guidelines issued by the Reserve Bank of India. Beginning with the 1960s, it grew out of its southern bastions, a journey that culminated in the bank becoming an all India institution. It was also at this time that KVB made the transition from being an owner-run to a professionally-managed bank.

The liberalisation of the Indian economy saw the bank's management take steps to cater to the requirements of the changed environment. KVB invested heavily in technology and implemented all of it most effectively, thereby reaping great dividends. The thrust it gave to modernisation made India sit up and take notice. The bank has since continued on its journey of excellence. In its 100th year, KVB rededicates itself to the ideals of its founders.

This book chronicles the 100-year journey of KVB.



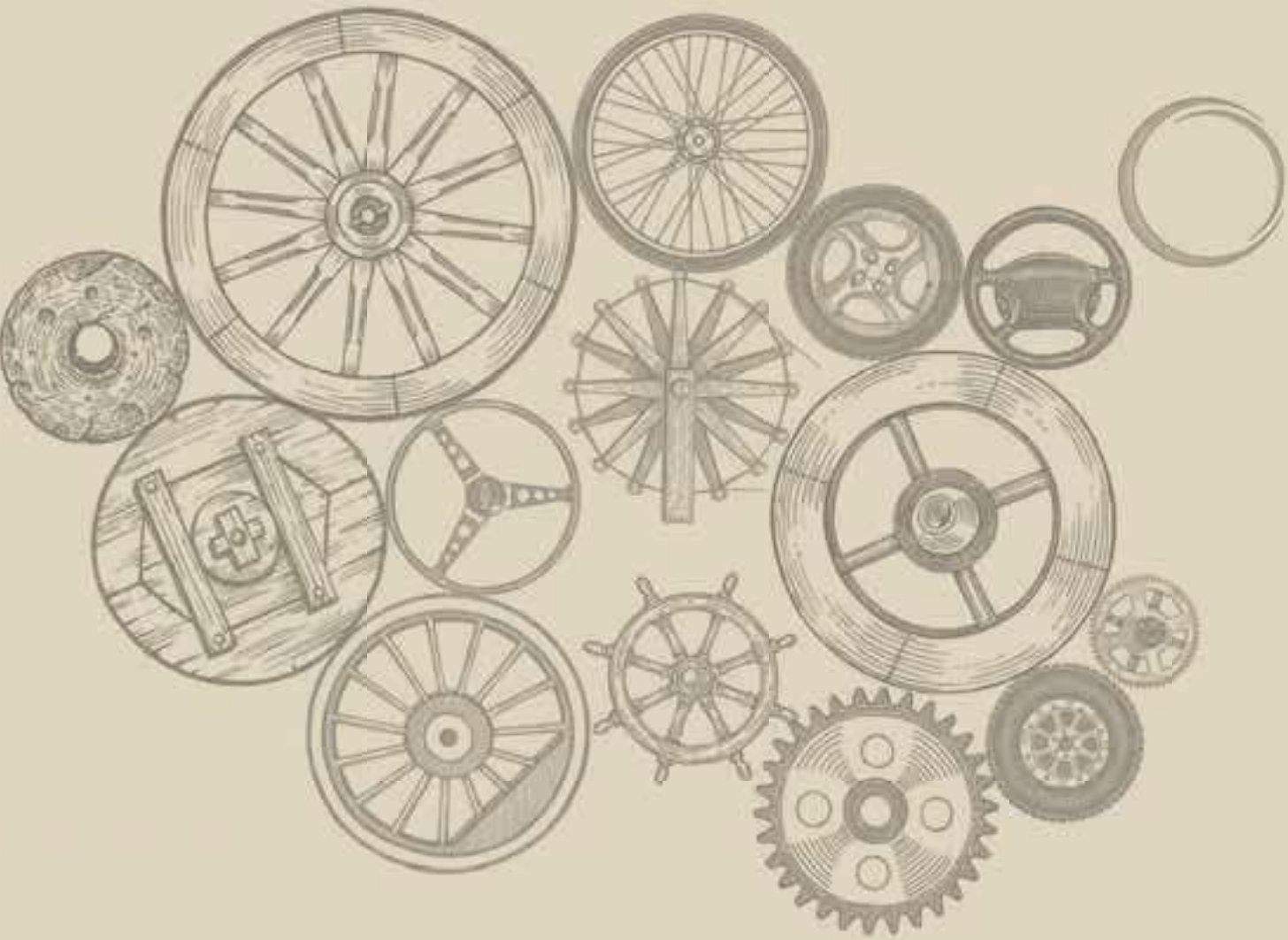
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भूर्भुव स्वः

तत् सवितुर्वरेण्यम्

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धियो यो नः प्रचोदयात्



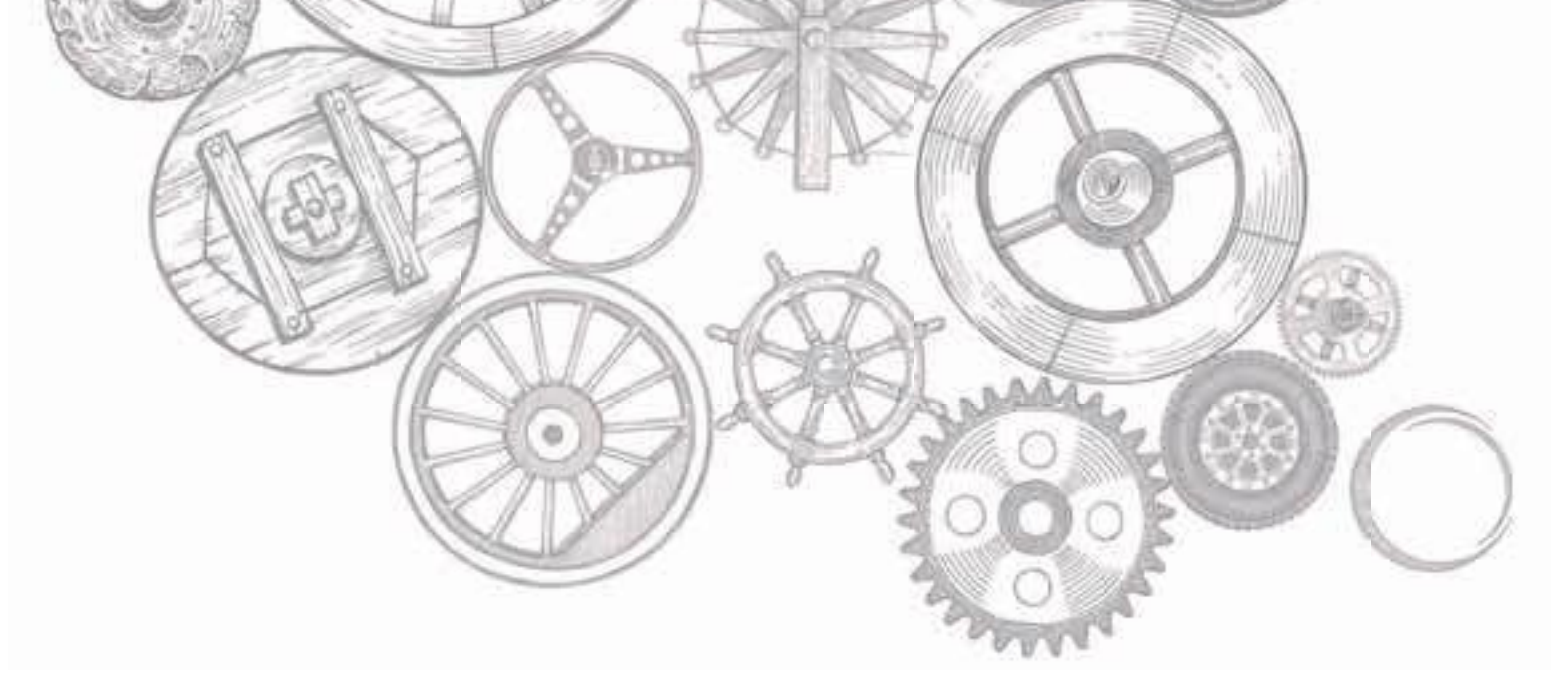
THE KARUR VYSYA BANK

CENTENARY BOOK

SINCE 1916



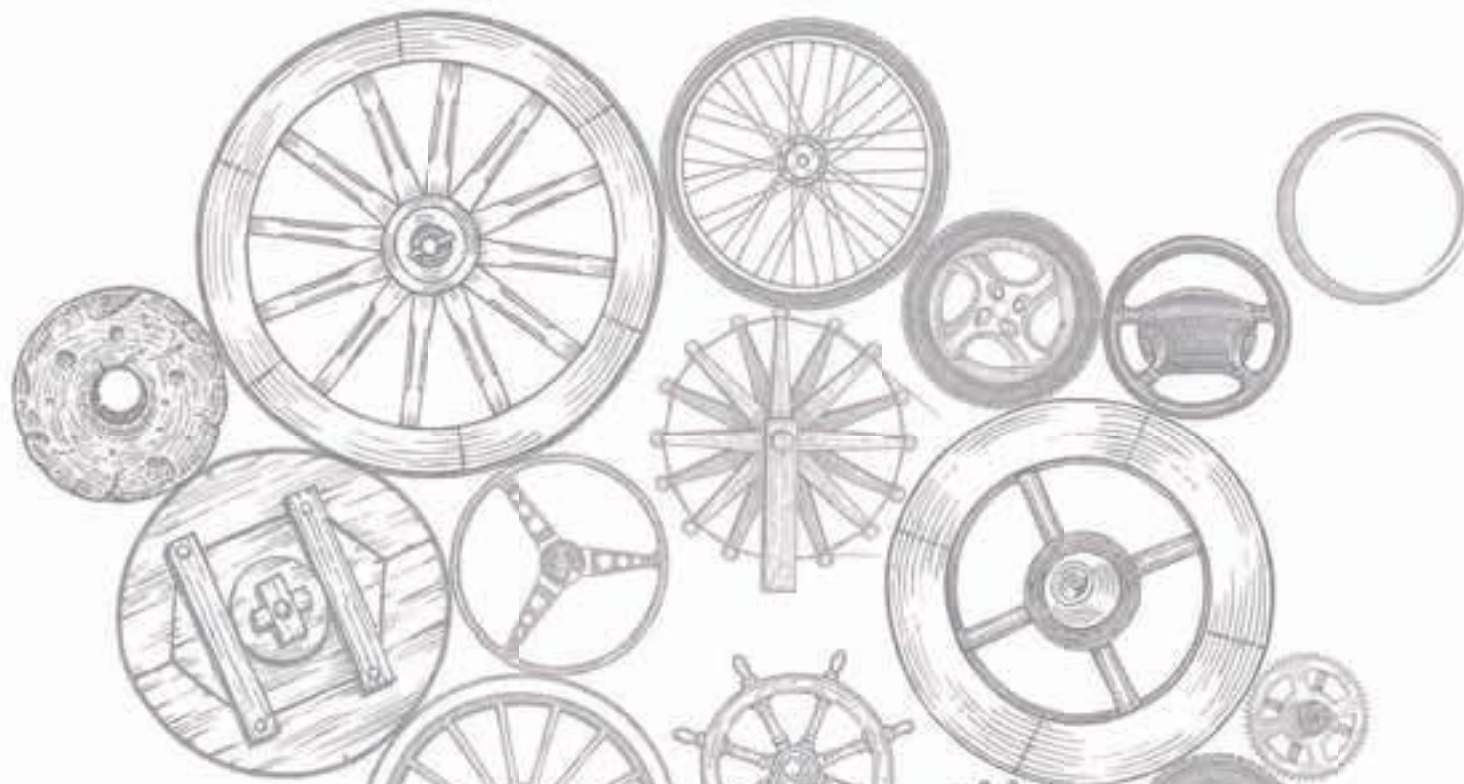
SRIRAM V



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Message from the Chairman

*I*t gives me immense pleasure to write this note as Chairman of Karur Vysya Bank, in its centenary year. This is the story of a bank that has retained its traditional roots even as it has kept pace with the demands of a rapidly changing environment.

Starting off as a small bank that catered to the needs of Karur and its surroundings, KVB began expanding even within the first few decades of its existence. At each step, it had the fortune to be guided by right-thinking people, be it those from the promoters' families or the professionals who chose to make a career, and a self-actualising life here.

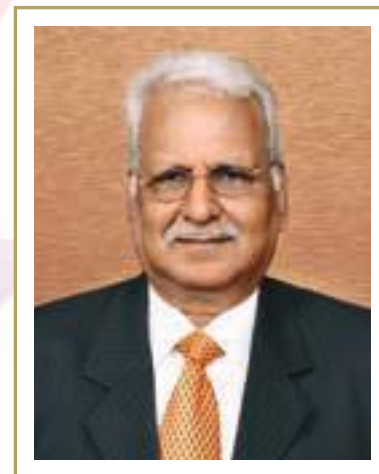
In this past century I feel we made several correct moves at the right time to be successful. Our beginnings may have been conservative but when needed, especially in the 1990s, we moved in an aggressive manner to get into new business areas and also open branches all over the country. In the first decade of this millennium, we embraced technology, going at full steam to install ATMs and later embrace core banking initiatives. All this was done without diluting our core principles of sound banking. We also made sure that we never compromised on our human policies. KVB has remained a place that people like to work in and where their minds are engaged and challenged to the maximum extent possible.

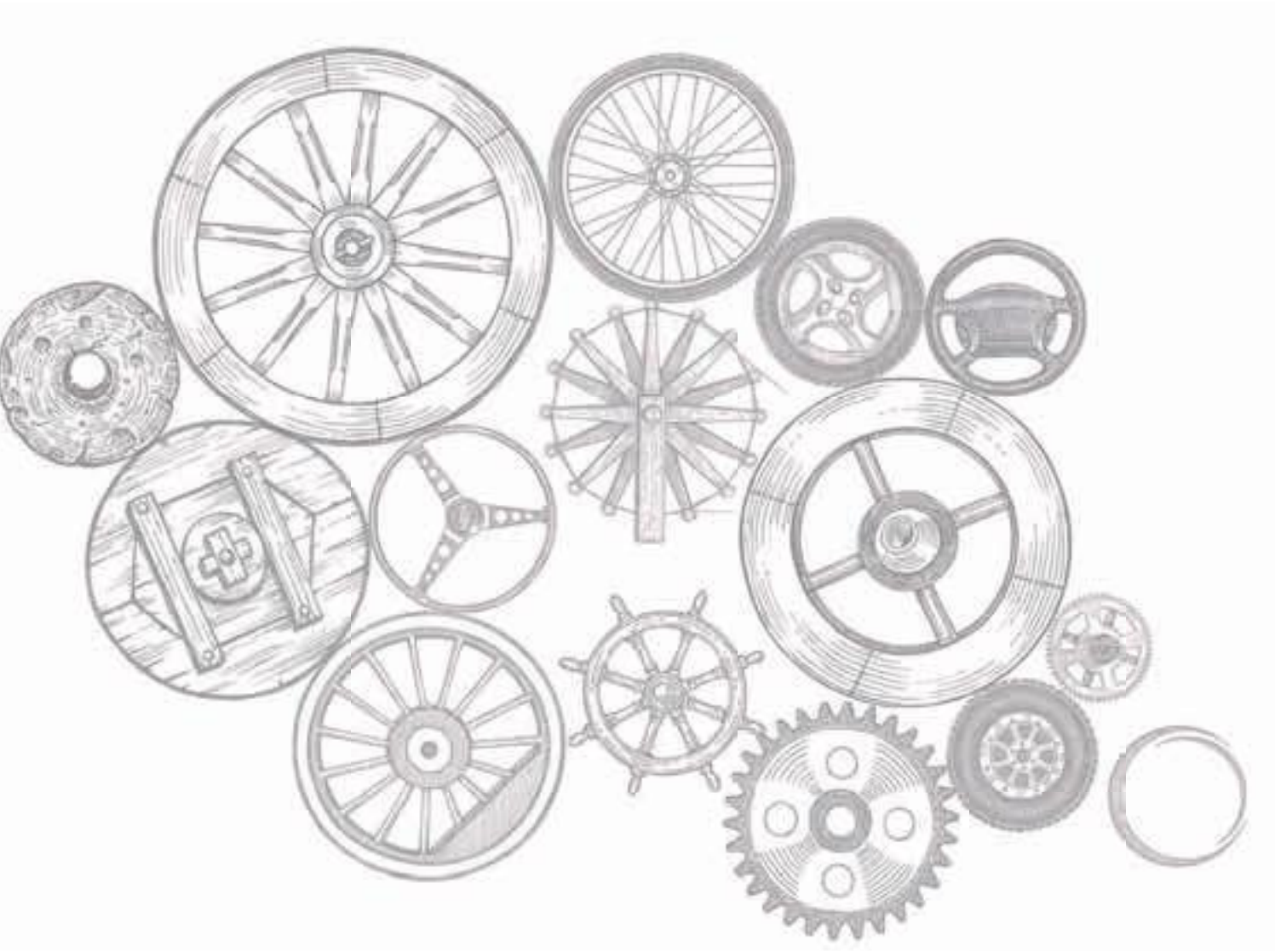
I believe we had quite a story to tell of the first hundred years and in the hands of corporate biographer and historian Sriram V, this has emerged as a fine book. Many thanks to him and the team at our advertising agency R K SWAMY BBDO for putting this together. It is also a great honour for us that this book is being released by Shri Pranab Mukherjee, Hon'ble President of India, who in the course of a distinguished career in public service, was involved in the financial and commercial aspects of our nation's economy. In our 100th year, I wish the KVB team led by Managing Director Shri K. Venkataraman all the very best for the future. I am certain that the blessings of Goddess Gayathri, our tutelary deity will always be upon us.

B SWAMINATHAN

Chairman

September 10, 2016.





From the Managing Director and Chief Executive Officer's Desk



A 100 years have passed! The Bank started off as a small player, remained a regional player for long, and has blossomed to be a national level player with strong fundamentals, growing for a 100 years in the private sector with its original identity. As Managing Director and CEO on this momentous occasion, it is with a sense of great excitement and immense feeling of responsibility that I put down my thoughts in this note.

As we look back at the journey of a 100 years, the Bank's great history enormously inspires us. The bank has travelled through the impact of two World Wars, Great Depression, famines and epidemics and has navigated successfully out of all the adversities, utilised all the opportunities and evolved to prosperity as a strong institution. The vision and dedication of the Founding Fathers and the determination of all the forefathers who built the bank brick by brick, gives us huge inspiration and confidence.

When we look back at their contributions, I am filled with a sense of awe. The bank firmly believed on strong financials and balance sheet, safety of operations and very high standards of customer service quality. These strong values and ethos of business which are fundamental strengths of the bank, and the foresight and vision shown by our predecessors, have to be carried forward.

Our large investments in technology and a development of strong professionalism have helped the bank maintain its excellent standing in the industry today. Banking has been changing rapidly, and in the future, the banking landscape is set to transform completely. In this fast changing scenario, to remain at the top of the growth curve, we need to be in constant search of excellence in all areas.

In our centenary year, I would like to thank all our staff members who have made our excellent record possible. All organisations depend on their people, more so the banks; and KVB's record in this area has, I am happy to say, been exemplary. I also place on record our deep gratitude to generations of our customers, for their hundred years of trust on the bank.

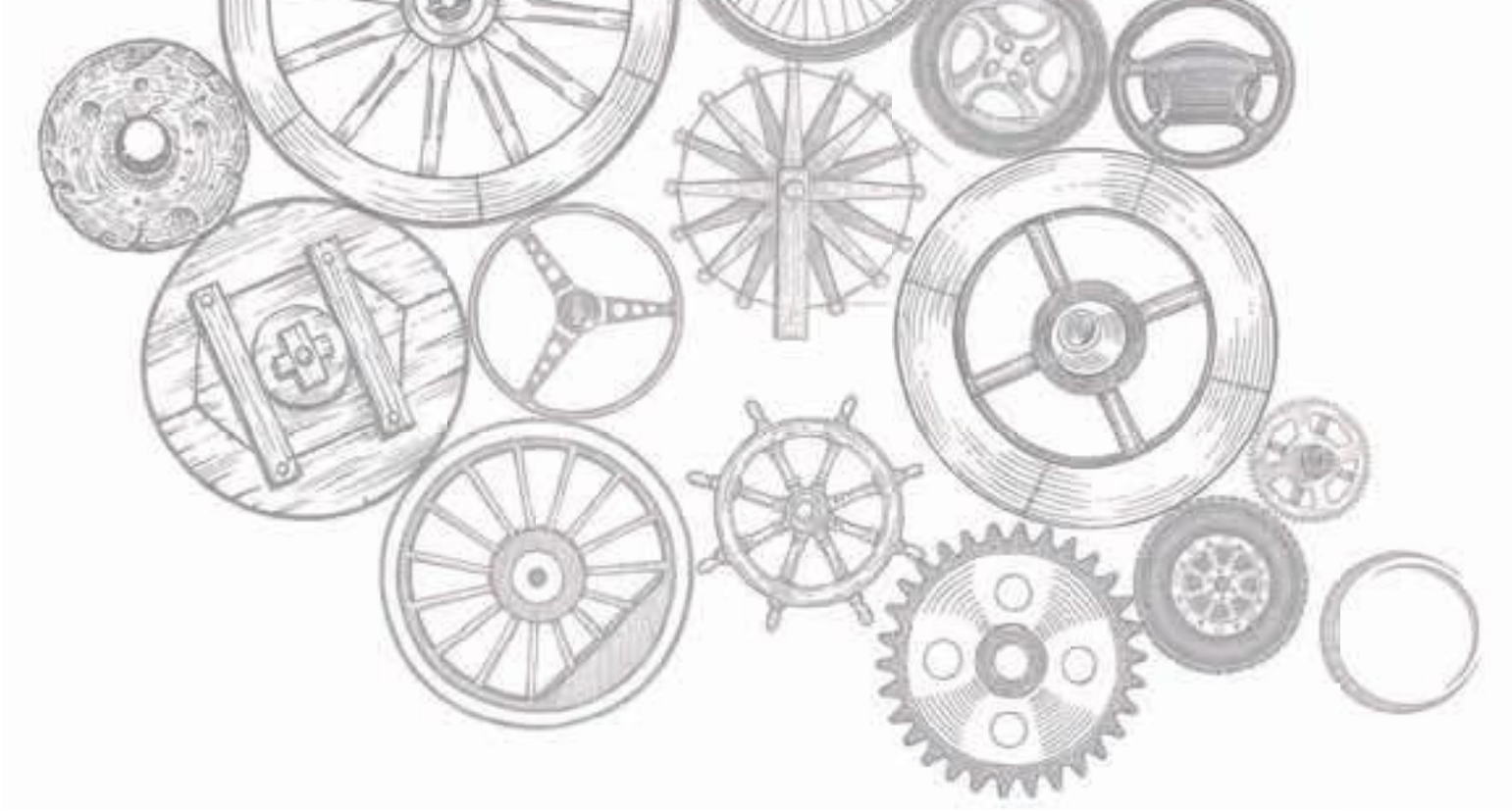
And as we begin our innings for a second century, may the blessings of Goddess Gayathri and the founders always be with us.

K VENKATARAMAN

Managing Director & Chief Executive Officer

September 10, 2016.





Author's Note

I first came to know of Karur Vysya Bank in 1972 or so when some of its officials came to Vidya Mandir School, Mylapore and distributed piggy banks that were shaped like elephants to all primary school students. I too received one, being in the first standard. Little did I know then that several years later I would be writing the centenary volume of the bank.

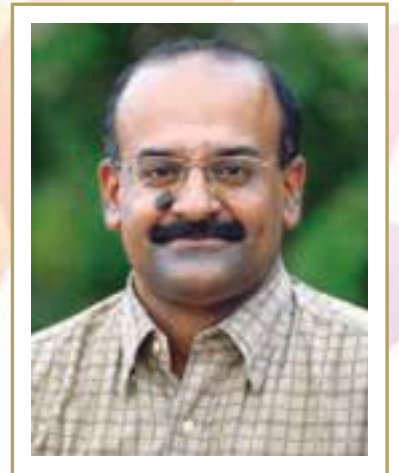
Having begun the work, one of my earliest discoveries was that the bank's date of registration was the same as my date of birth, 22nd June, though fifty years separated both of us! That established quite a bond, apart from the one created by my entire family being account holders with the bank. I must, however, confess that I did have some trepidation when I took up this task, for documenting 100 years of a bank can be daunting.

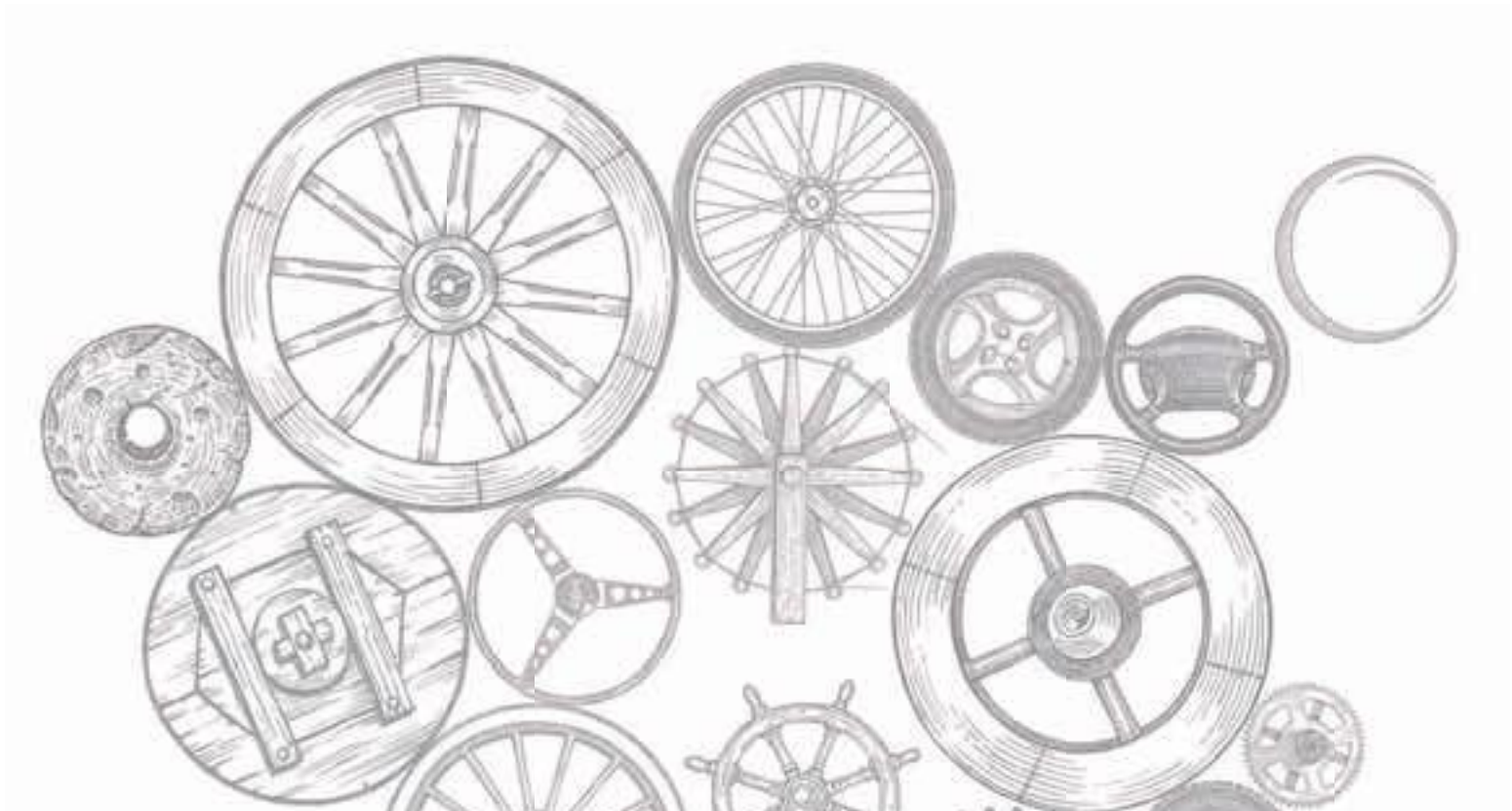
However, I need not have worried. The warmth and courtesy with which I was received by A.S. Janarthanan, the Mentor of KVB, put me at ease. He proved to be a storehouse of information on the bank, especially its early years. The bank's Silver Jubilee commemorative volume and the souvenir released on the occasion of the inauguration of its Central Office in Karur in 1983, both preserved most carefully by A.S. Janarthanan, proved to be of immense value. I was also received and treated with the traditional courtesy characteristic of Karur by all the Directors and officials of the bank.

Working on this book, I was very impressed by the amount of pride that the KVB employees take in their bank. This was reflected in the ready manner in which they recounted its many achievements. In a day and age when India keeps looking to the western world for role models, I think KVB provides enough inspiration locally. There is certainly a lesson in this history for all organisations that seek to do business in India and grow.

Sriram V.

September 10, 2016





Centenary Celebrations



Central Office, Karur

1916 - 1947

22/6/1916

Bank registered at Tiruchirapalli

1923

Bank shifts temporarily to
Trichy owing to outbreak of plague

17/1/1927

Bank opens its first branch, at Dindigul

25/8/1929

Bank opens branch at Kulithalai

1/7/1916

Bank opens for business in Karur

27/10/1926

M.A. Venkatarama Chettiar
steps down as President and is
succeeded by Athi Krishna Chettiar

11/2/1929

Bank opens branch at Dharapuram

1930-1932

Branches opened at Erode,
Namakkal and Gobichettipalayam

(CHAPTERS 1 - 5)

10/8/1932
Karur branch opens

1935
Trichy branch inaugurated

1937
Thanjavur branch starts operations

30/8/1941
Bank celebrates its silver jubilee

1943
Opening of Madurai branch

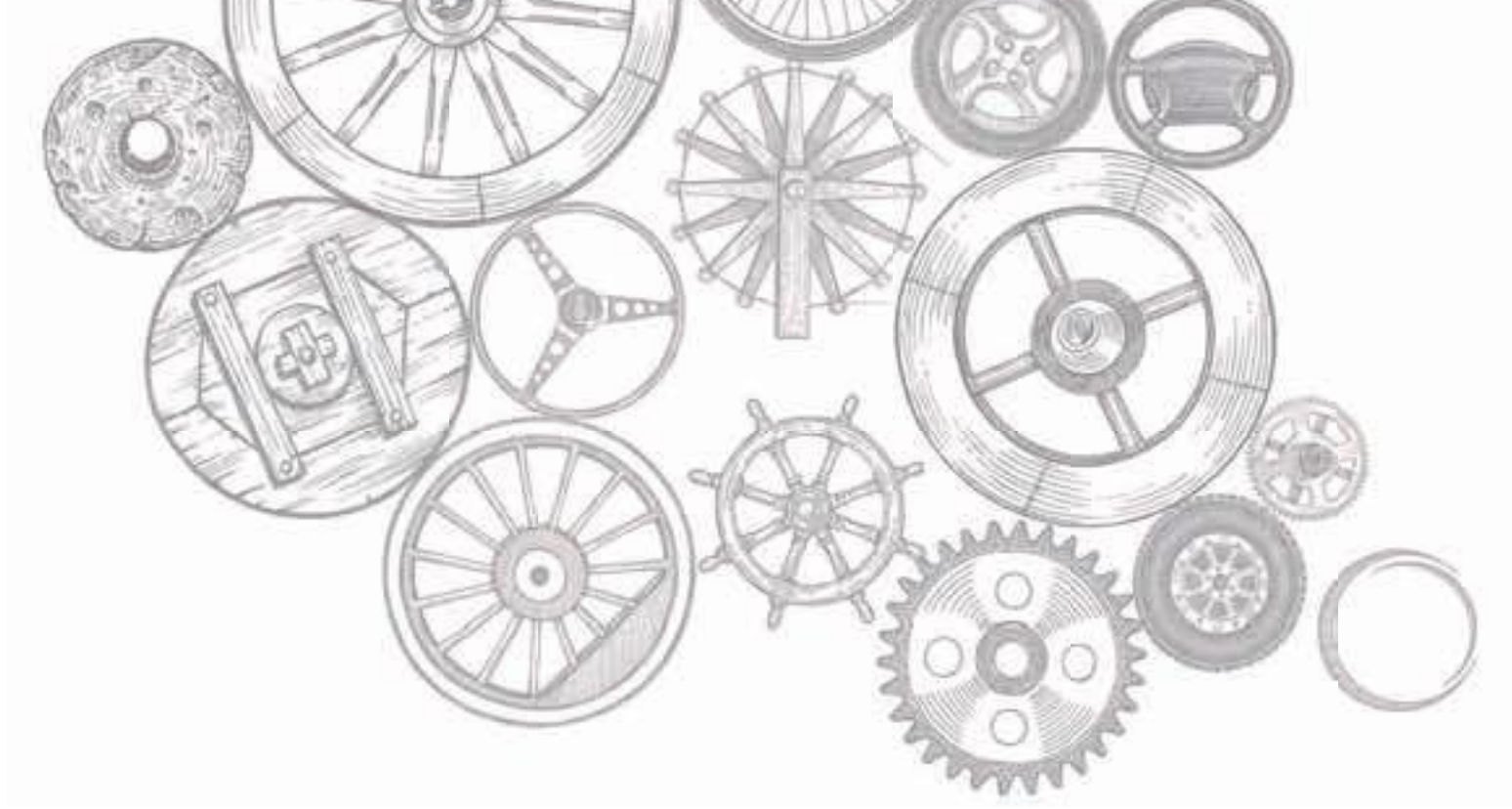
1934
M.A. Venkatarama Chettiar
passes away

1936
Branch begun in Kumbakonam

1940
Opening of Coimbatore branch

1942
Salem branch opens

1946
President Athi Krishna Chettiar
passes away and is succeeded by
M.G. Rajagopala Chettiar





CHAPTER - 1



OUR FOUNDERS



Shri M A Venkatarama Chettiar



Shri Athi Krishna Chettiar





The Idea of a Bank

Banking can be regarded as one of the oldest business activities in South India, as gleaned from relevant historical records. However, banking in the modern sense, was perhaps first introduced to the Madras Presidency in the 1640s and remained British-dominated for long. By the end of the 1860s, there were at least three banks in the township of Madras – the Bank of Madras, the Chartered Bank and the Mercantile Bank, besides the big commercial firms of Arbuthnot's, Binny's and Parry's, who were also providing banking services.

Indians too were not far behind and soon began setting up banks on organised lines. Six banks were set up in the early years of the 20th century - the Tanjore Permanent Fund that later grew into the Thanjavur Bank was established in 1901; the South Indian Bank, Tirunelveli in 1903; the Kumbakonam City Union Bank in 1904; the Madras Central Union Cooperative Bank in 1905 (which was the first Indian bank to be incorporated in Madras city); the Canara Banking Corporation, Udipi (now the Corporation Bank) and the Canara Hindu Permanent Fund, Mangalore (now the Canara Bank) both in 1906. The collapse of the firm of Arbuthnot's in 1906, chiefly owing to the reckless speculations indulged in by its managing partners, was to change the way Indians looked at foreign banks and businesses. Considered one of the most stable companies ever, its collapse came as a shock. The loss of confidence in British banking firms resulted in V. Krishnaswamy Iyer, then a top-ranking vakil of Madras, getting together like-minded Indians to form a bank run by Indians. The Indian Bank was registered on March 5, 1907. Beginning with that, an increasing number of Indians began to look at banking as a business venture. Not everyone was to succeed however. Among the few that did was a duo – M A Venkatarama Chettiar and Athi Krishna Chettiar of Karur. And Karur Vysya Bank (KVB), the bank they founded in 1916, is now celebrating a century.



Map of South India, showing Karur's central location

“Karur, the Karoora of Ptolemy, 226 miles from Madras (Egmore), is situated in the Karur Taluk of Trichinopoly district, on the left bank of the Amaravati near its confluence with the Cauvery” – thus runs a note in the *Illustrated Guide to the South Indian Railway*, published in 1926. The population then was 18,249 and we may safely assume that it was, if anything, somewhat smaller ten years earlier when KVB began to function there. Just the description presents an appearance that this was hardly a propitious place to start a bank.

But the truth is that Karur had once enjoyed a status far larger than its size. Given that in 150 CE, Ptolemy the Greek had mentioned its name; it is evident that the town is of considerable antiquity. Legend has it that Brahma, the Creator as per the Hindu pantheon, began his task here and hence the place acquired the names Adi (original) Puri (town). It is for the same reason that the place is also known as Karu (womb) Ur (town) in Tamil, which became Karur over time. It also acquired the Sanskrit name of Garbha Puri which means the same as Karu Ur. It is believed today that Karur in the *Sangam era was the capital of the Chera kings* and was known as Vanji. The inscription of several of these rulers' names on a rock at Aaru Nattar Malai, near Karur, lends credence to this. The *Silappadikaram* of Ilango Adigal (2nd century CE) states that the author's brother Cheran Senguttuvan ruled from Karur.

Karur became a flourishing trading centre from early on. It was known throughout the ancient world and the Romans, in particular, appear to have had very strong connections with the place. A number of Roman coins and amphorae have been discovered during excavations in the neighbourhood. It also appears to have been a centre for gems and jewellery, the gold probably coming in owing to the Roman trade. It was no wonder that its fame had spread far and wide and even in 150 CE, Ptolemy considered it a bustling inland trading centre.

Given that Pallava coins have also been unearthed here, it would appear that they conquered the Cheras and occupied Karur in the 5th century CE. Two hundred years later, around 775CE, a fierce but indecisive battle for control of the region was fought between the Pandyas and the Pallavas. Karur passed into the hands of the Cholas by the 9th century CE. The *Periya Puranam* of Sekkizhar states that Karur was the birthplace of Eripatha Nayanar, one of the 63 devotees of Shiva who lived sometime in the 8th century CE. It is clear that by then, this was a thriving centre of Shaivism, though the Jains too appear to have had settlements in the neighbourhood, given the number of rock carvings that have been discovered.



The Kalyana Venkataramana Swamy Temple at Thanthondri Malai



The Kalyana Pasupathiswara Temple, Karur



Of greater antiquity probably, is the temple at Thanthondri Malai, a small rocky outcrop on the outskirts of Karur. The temple's sanctum has a 10 foot bas-relief of Vishnu carved on the rock face itself. This is dated to the 8th century CE. The Kalyana Pasupathiswara Swami Temple, which today dominates the city centre, probably acquired its present shape during the time of Chola kings of the 13th century. But it must have existed even in an earlier age. Certainly, the resting place of Saint Karuvurar that is within the temple precinct, points to a strong connection with the mighty emperor Raja Raja Chola who built the Big Temple at Thanjavur in the 12th century. Karuvurar, who was his preceptor, is honoured in the Big Temple as well. Interestingly, he also has a sanctum to himself at Vennaimalai, a suburb of Karur, where a temple to Balasubramaniya is located on a slight elevation. A large part of the surrounding shrine dates to the period of the Madurai Nayaks, the Viceroys of the Vijayanagar Empire who declared themselves independent after the year 1565. Karur came under their control in the 17th century.

Its strategic location meant that it could not remain at peace for long. In 1736, Chanda Sahib, the pretender to the Arcot throne besieged it at the instigation of the French. The Nayaks defended it successfully but in 1760 it was captured by the British only to have Hyder Ali of Mysore snatch it from them in 1768. Strife came once again to Karur in 1783 when, as part of the second Anglo-Mysore war, it witnessed action. It was then a walled town and early in the year, the British, led by Colonel Lang captured it, but not for long. Hyder Ali was soon back. On April 2, the soldiers of the East India Company's 102nd Regiment were forced to evacuate. In the skirmish that followed, one lieutenant, 19 European soldiers and 30 sepoys were killed. The carnage was colossal enough to merit a monument that stands as a mortar obelisk at Rayanur, a short distance from Karur. In 1790, the British once again took Karur, and their possession of it was confirmed by the treaty signed with Tipu Sultan in 1792. It is ironic that it was during these unsettling times that Sadasiva Brahmendra, the mystic who composed songs advocating inner peace, chose Nerur near Karur as his final resting place. His Samadhi is now a popular shrine.

The British maintained a garrison in Karur till 1801 and then handed it over to civil administration. The fort walls were dismantled to facilitate expansion of the settlement. It was designated the headquarters of a sub-collectorate with a tahsildar, a district munsiff and a sub-magistrate. Peace ensured that the red and black soil of Karur could be developed for cultivation and soon it became a rice-growing area. The town's prospects changed further when the Great South Indian Railway Company put up a feeder line in 1868 between Erode and Trichy. With Karur being midway, connectivity was enhanced. Aspirants could travel out for education, farm produce could be transported and business could be conducted with some degree of ease. More potential was to be revealed when the Madras Railway Company established its line from Madras city to Calicut via Erode. Karur found itself on a busy feeder route that connected the two major railway systems – one headquartered at Trichy and the other having a line going through Erode. The railway line necessitated the construction of a bridge across the Amaravati. This was a first for Karur.



The Balasubramaniya Swamy Temple at Vennaimalai



Samadhi of Sadasiva Brahmendra at Nerur



By 1874, the town had become a municipality. A club for the gentry came up in 1887 and still exists. This was named the Karur Jubilee Literary Association, the jubilee being the completion of Queen Victoria's fifty years of reign. By the first decade of the 20th century, a road bridge across the Amaravati was built, thereby restoring the town to its ancient status of an inland trading centre. Several grain and spice dealers set up wholesale shops referred to as mandis here, and chief among these dealers were members of the Arya Vysya community. It was but a question of time before they constructed a temple for their patron goddess Vasavi Kanyaka Parameswari, which still stands near the more famous Karur Mariamman Temple, off the principal market area of Jawahar Bazaar. It would not be correct to assume that the principal community was that of the Arya Vsyas. While they did control certain business interests, there were other communities, some of whom were into trade while others dominated agricultural activity. There was a small Muslim presence that worked in leather and cloth tailoring.

It was not long before the banking initiatives in Madras, Thanjavur and Kumbakonam began to kindle the imagination of people in Karur and its neighbourhood. It was chiefly to cater to the small businesses within their geographical area that several local banks began to be set up. One among these was the Karur Vysya Bank (KVB). The idea for such an entity was that of G. Chakrapani Chettiar of Coimbatore. The First World War had begun and there was widespread depression and a deep-rooted glut in business, particularly for the smaller establishments. There was a requirement for liquidity. G. Chakrapani Chettiar mooted his idea to several prominent members of the Arya Vysya community of Karur and it found a ready response in M A Venkatarama Chettiar, a wholesale mandi and ghee merchant of the town who had been in business since the 1880s. Having decided to start a bank he sought the blessings of Lord Sri Kalyana Venkataramana Swami at the Thanthondri Malai Temple. To propitiate the gods, flowers were placed at the feet of the deity, a ritual known as *pookatty sammadam*. The omens were auspicious and M A Venkatarama Chettiar began approaching the members of his community, all of whom had come together in 1913 for another cause – collecting funds to assist Mahatma Gandhi in his Satyagraha in South Africa. Then just a simple lawyer, Gandhi was determined to fight discrimination against coloured people, especially the hated Asiatic Registration Act and the invalidation of marriages among non-Christians, and had launched what would be his final battle in South Africa. G. Subramania Iyer, one of the founders of *The Hindu* and by then the founder and editor of the *Swadesamitran* sent out an appeal through his newspaper that every town in the Madras Presidency ought to set up a committee to collect funds for the struggle against apartheid. At Karur, several of the Arya Vysya community were in the forefront of this effort and it was perhaps no coincidence that these people would become the first directors of the proposed bank.



St. Teresa's Church at Karur



War Memorial, Rayanur



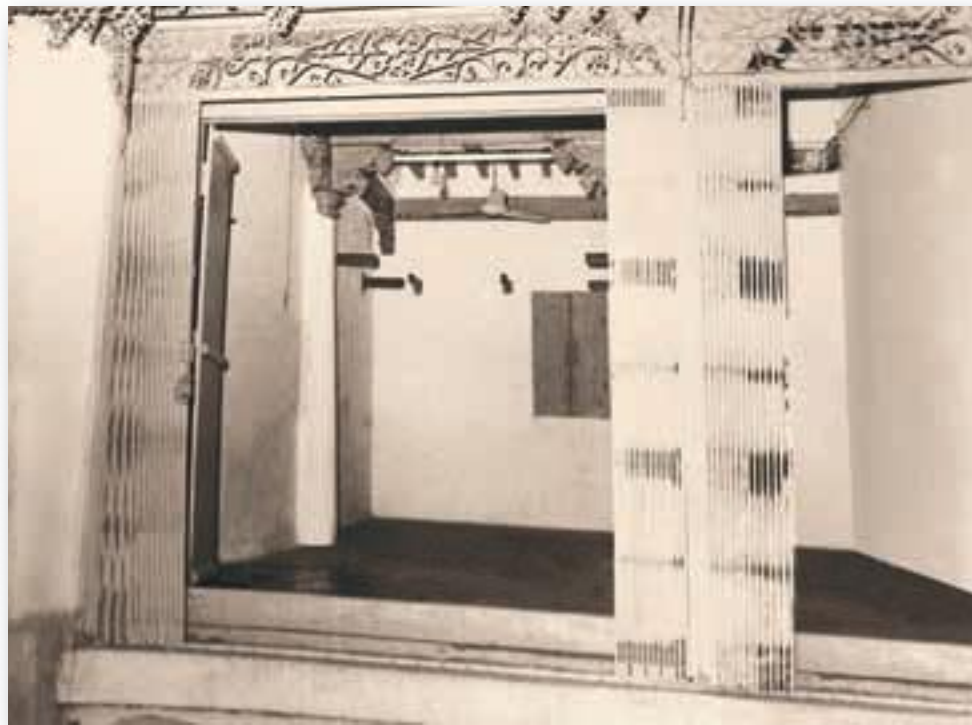
Mariamman Temple at Karur



The Kanyaka Parameswari Temple at Karur

M A Venkatarama Chettiar had a difficult task ahead with little success in the beginning, though he canvassed actively for the bank among businessmen, local worthies and the common people. G. Chakrapani Chettiar had kindled the spark in 1914 or thereabouts but a couple of years later, the total amount of money collected was just about Rs 70,000 while M A Venkatarama Chettiar was of the view that the bank could begin only when the paid-up capital was one lakh of rupees. It was then that, rather propitiously for him and the planned bank, Athi Krishna Chettiar joined him in his efforts. He too came from a family that was into wholesale trading in grain and oil seeds but he had opted to strike out in a different direction – becoming a vendor of stamped paper, Government stationery that could be purchased for certain transactions and therefore represented the tax component of the value of the deal being struck. India was and continues to remain a heavy user of stamped paper and Karur, being a Taluk headquarters then, was no different. Athi Krishna Chettiar had a wide clientele and he put this to good use, canvassing investors for the bank. Information handed down within the families of both founders indicates that they travelled far and wide to attract investors. The bridge across the Amaravati was yet to come up and each outstation visit meant fording the river in a coracle.

The memory of Arbuthnot's crash was still fresh and not all financial institutions begun by Indians had survived either. Among the potential investors tapped for the new bank at Karur, the mirasdars (landholders) of Sendamangalam expressed their apprehensions to M A Venkatarama Chettiar and Athi Krishna Chettiar. This prompted the promoters to give a personal guarantee to each of the prospective investors that their capital would be protected in the event of the bank/venture failing. These efforts bore fruit and by mid-1916, the necessary rupees one lakh had been garnered. All was set for the formation of the bank. Buoyed by the confidence of the guarantees given by M A Venkatarama Chettiar and Athi Krishna Chettiar, the investors had agreed to the bank being set up as a joint stock company, a rather unique choice for a bank. This was in many ways a private limited or equity based company where investors held shares, but with one small difference. Unlike the private limited companies of today where the liabilities of the firm were limited to the firm itself



The first premises of KVB

thereby providing immunity to the promoters, the joint stock company meant total liability for its investors. In the event of the bank failing, the investors would have to bear the brunt of it in full. KVB was to be promoted as a joint stock company and so the investors committed themselves in full. In reality though, this wasn't quite the case. It was essentially just two of them – M A Venkatarama Chettiar and Athi Krishna Chettiar who bore the full risk. The two men clearly had to make the bank a success.

In the event, they did better than what they hoped, for even in the formation of the bank, the paid-up capital at inauguration was Rs 1.20 lakhs – more than the rupees one lakh they had planned to begin with. The bank was registered at Tiruchirapalli on June 22, 1916. It had a unique record even to start with, for it was the first joint stock company approved by the Assistant Registrar at Trichy for the financial year 1916-1917. The first meeting of the shareholders of the bank was at the forecourt of the Thanthondri Malai Sri Kalyana Venkataramana Swami temple. The first share was allotted to Goddess Gayathri Devi as per the wishes of the promoters and to this day this divine personage remains the tutelary deity of the bank. The rest of the shares were then allotted and the first Board of Directors was duly elected.

By virtue of being the man from whose vision KVB had evolved, M A Venkatarama Chettiar was made President of the Board and for having seen the processes through, Athi Krishna Chettiar became the Vice President. The rest of the Board comprised local businessmen – B.V. Bangaru Sundaram Chettiar, M.G. Sriramulu Chettiar, V.S.N. Ramalingam Chettiar, M.R. Lakshminarayana Chettiar, M.R. Venugopala Chettiar, T.N. Ananthapadmanabha Chettiar, T.V. Sundararajulu Chettiar, K.N. Viswanatha Chettiar, K.R. Venkatarama Chettiar, V.K. Vengopala Chettiar and R.M. Kesava Venkatarama Chettiar. The last named was to be the first Secretary of the bank. In today's parlance, he was the equivalent of the Chief Executive, for the day-to-day operational running of the bank was to be his responsibility. The records describe him as a 'very cultured gentleman'. In keeping with his onerous duties, he had a fixed salary – Rs 35 per month, a fairly big sum for those days.

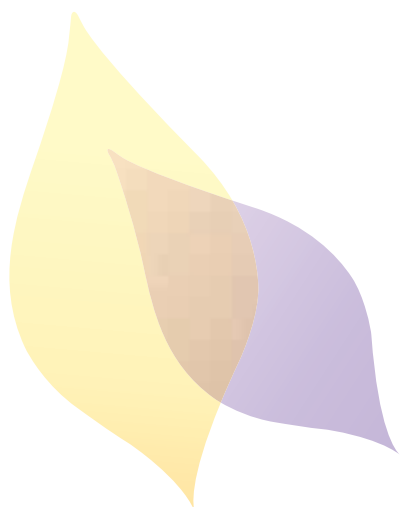
The first office of the bank was the front room of M A Venkatarama Chettiar's residence in Bazaar Street, Karur. The first meeting of the Directors after the formation of the Board took place on June 28, 1916 at its registered office, and present on the occasion were the President, the Vice President, four Directors and the Secretary. The meeting had a one-point agenda – the appointments of peons, head clerks, and a valuer, and fixing of their salaries. From the old records it is possible to decipher that a peon received Rs 7 per month and the head clerk, Rs 20.

In sharp contrast to today's world, where publicity for such events is paramount, the founders evidently preferred to keep KVB's inauguration a quiet affair. They were clearly men who preferred that posterity laud their efforts. Much of their vision for the bank was incorporated in the Memorandum and Articles of Association. Some of the clauses incorporated therein are startlingly ahead of the times in which they were thought of.

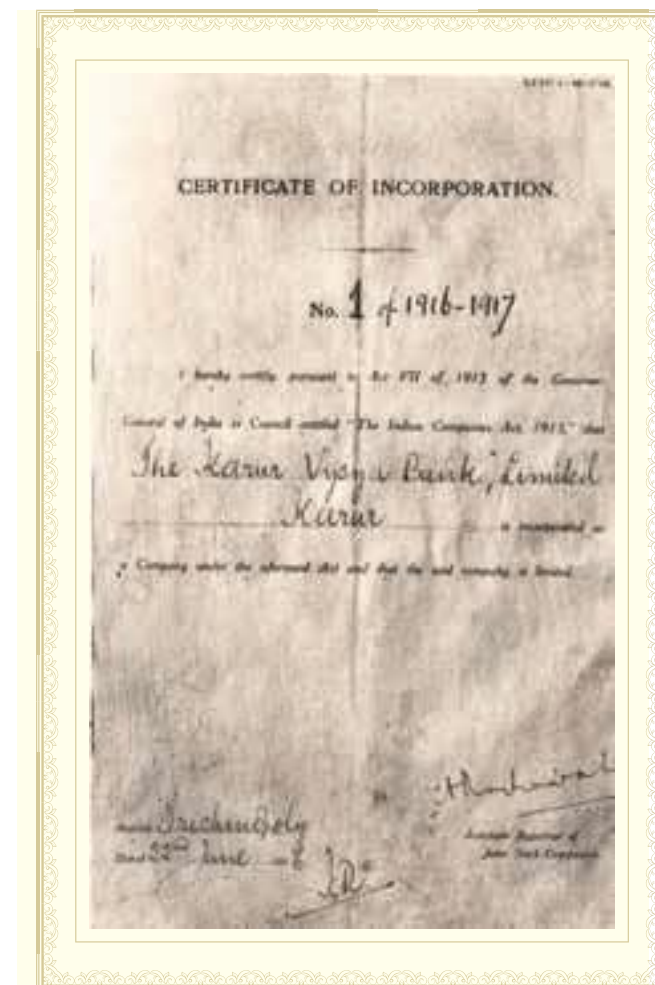
“The foresight of the founders never ceases to amaze,” says A.S. Janarthanan, former Chairman of the bank and a grandson of Athi Krishna Chettiar. “The Banking Regulation Act came into force only in 1949, but in 1916 itself they

were careful enough to incorporate a clause preventing Directors from taking loans from the bank. It was only 33 years later that such a clause was put into the statute. This apart, they also thought that the employees too should have a stake in the working of the bank and that they too should be totally involved and participatory in the future of the bank. They thus planned stock options long before the term became fashionable. Every manager was to have 50 shares, all the officers 20 and the cashiers, in particular, were supposed to have 40 shares!”

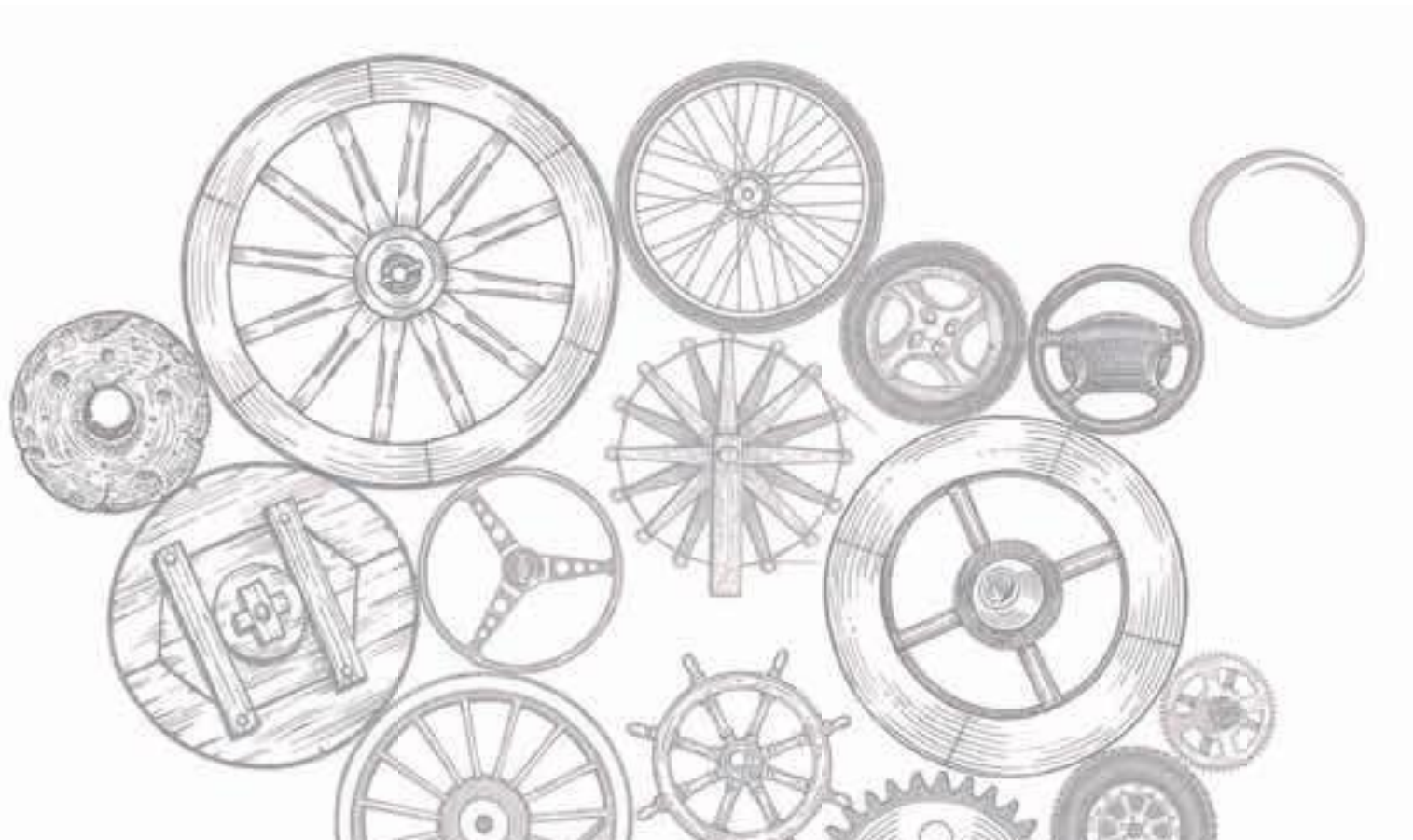
With such visionary ideals, Karur Vysya Bank, to be popularly referred to as KVB got down to work. The bank opened for business on July 1, 1916.



The first share certificate



KVB's certificate of incorporation





CHAPTER - 2



Special Postal Cover brought out in honour of our Founders



The First Years

Looking back at the initial phase of the bank, the institution's Silver Jubilee souvenir had this to say:

“The present position of the Bank bears ample testimony to (the Founders’) breadth, vision and foresight. Usual nervousness of the people at that time to invest money in such ventures, and the economic chaos brought about by the Great War which was being fought with great fury, and the reverses the allies suffered at that time of the year 1916 made their task of establishing the institution an uphill one.” This was no understatement. While the direct impact of the Great War (now referred to as the First World War) was negligible in remote Karur, there were other issues to contend with, some generic and others more specific to the place.

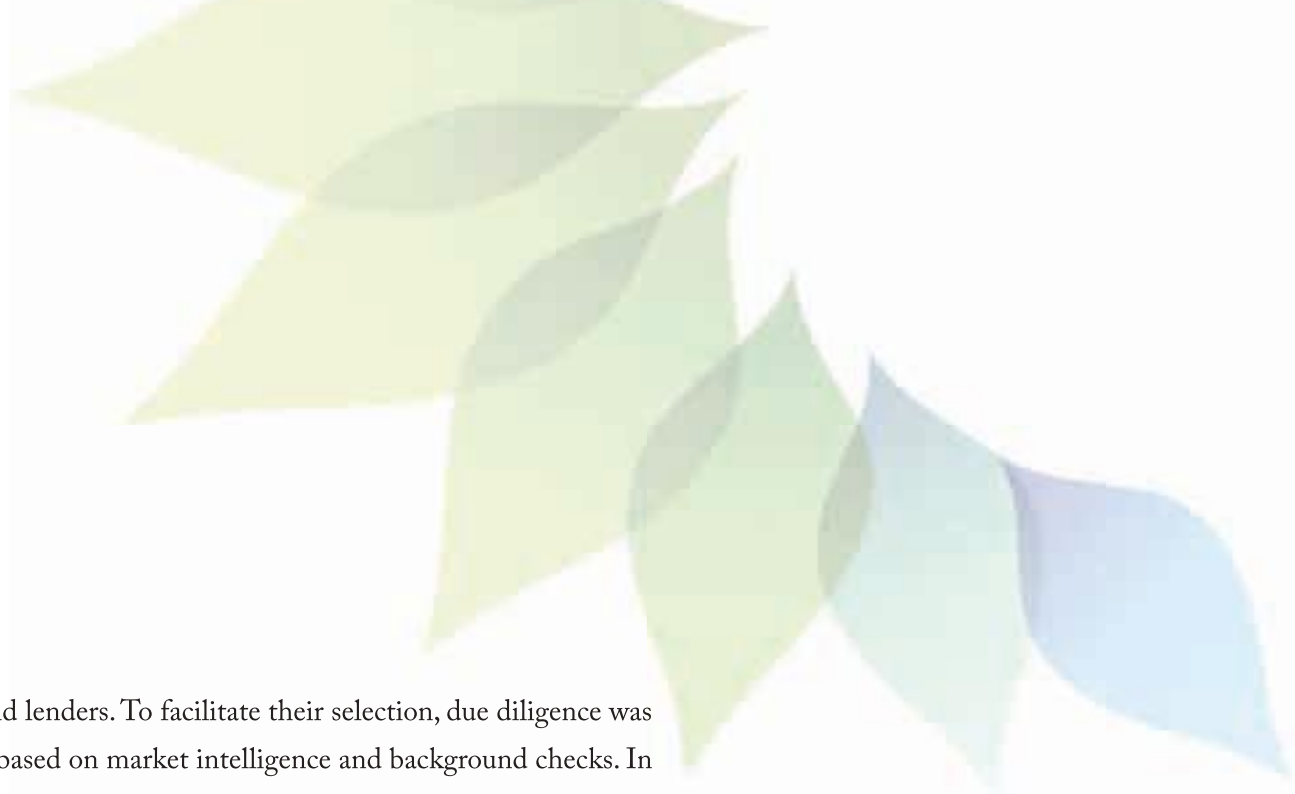
At a macro level, there was the task of educating people as to what banking was all about and emphasising the difference between money lending and banking. On the one hand, people were appreciative of the fact that a bank would necessarily be fair-minded in its interest charges, and borrowing from it would mean the collateral offered as security was safe. On the other hand, there was a fundamental aversion among borrowers to involve themselves in the paperwork that was a necessary part of the process when it came to availing loans from a bank. The truth was that most businesses of the small scale variety, and those that came to KVB were invariably of this kind, and lacked the formal systems that could generate the data the bank needed before it parted with its money. KVB had to, perforce, become an evangelist of sorts for the banking industry in and around Karur. M.G. Vivekanandan, former Director at KVB and whose family has been involved with the bank from inception recalls how banking was done at the grass roots level in those days – “We accepted a slip of paper, and we would advance a loan. This would be returned in the evening. It was unofficial banking. That is how our banking developed. Our community had moneyed people; our main business was mandi (jaggery and other commodities). We collected these from villagers and sold them in Karur. We had money. We had to benefit, we had to get interest, but not high; it was done with compassion”. Clearly with the establishment of KVB, matters would move on to a more organised plane.



*B.V. Bangarusundaram Chettiar,
Founding Director*



*M.G. Sreeramulu Chettiar,
Founding Director*



For this, there had to be a proper system of evaluation of depositors and lenders. To facilitate their selection, due diligence was conducted in a home-grown style. Any potential borrower was assessed, based on market intelligence and background checks. In this, the knowledge that the bank's Board had of the customer became paramount. That defined the kind of borrowers' portfolio that the bank had in the initial years – these were largely merchants in the retail trade, farmers who were given money against gold and wholesale grain traders.

Native intelligence was brought to play when it came to judging a potential borrower. The manager would never be swayed by the visitor's appearance or his mode of conveyance, as these were not true indicators of his worth. It helped, of course, that most of those who came to transact with the bank were known people and in any case the bank was familiar with most of the background information on them. But even then, some standard questions would be asked that would help gauge the soundness of the party. The topics around which seemingly innocent queries would be made would be health, family happenings, the weather and local news. For instance, if the Manager asked after the customer's health and he got a response that he had been ill or was just recovering from an illness, he would be alerted. Similar was the case, if in response to queries on the family, the customer let drop some hint of property litigation or disputes with siblings. These were red flags as far as the bank was concerned. Similarly, if the officials came to know of a prolonged drought in an area or of a flood, they would be cautious. These were, no doubt, not fool proof methods of verification but rarely was a wrong assessment ever made.

The Minutes books of the period reveal some interesting facts. The bank's Board met regularly each month and the accounts were reviewed at every meeting – an indication of the caution with which the Directors proceeded. There was no sitting fee for the Directors until 1919, when it became mandatory as per law and even then, the amount was Re 1! The upper limit for loans was Rs 1,000, though on occasion, when the collateral was good, as when land or buildings were offered, this could be increased to Rs 1,500. The security offered, though, was rarely of the immovable kind and what KVB appears to have taken in was largely commodities – cotton seeds in gunny bags and plenty of turmeric. The latter appears to have been preferred by the bank – it lasted for long and was buried deep in the ground for safe custody! Even here, there were gradations in the quality of turmeric – thus 50 bags from Karur were more valued than 150 from neighbouring Pasupathipalayam!



*K.N. Viswanatha Chettiar,
Founding Director*

If a borrower defaulted repeatedly, his collateral was auctioned. In 1920, we read of cotton seeds in gunny bags belonging to a defaulter being given to the highest bidder. By then, it had become mandatory for every loan to have a guarantor as well. While the Directors of the bank were barred from availing loans on a matter of principle, other shareholders could do so. A delicate situation arose when a shareholder was found to be in default in 1921. Notwithstanding his status at the bank, it was decided that his shares could be auctioned to settle his dues. The highest bidder was V.S.N. Ramalingam Chettiar who would remain a Director of the bank for a long period of time.

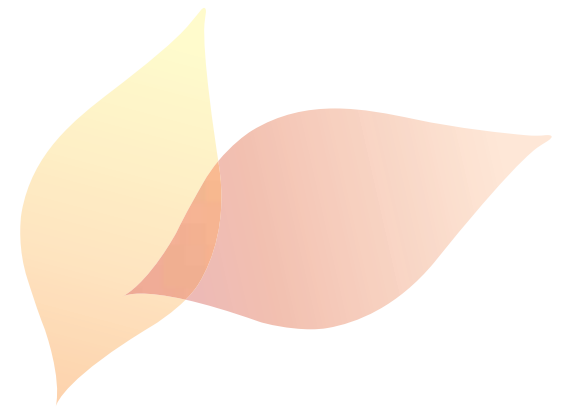
If these were the common practices while dealing with retail and wholesale trade, the agriculturists resorted to borrowings against gold jewellery as collateral. Every Board Meeting from inception records approval of loans after the valuing of the gold jewellery. This was a sensitive matter, for much depended on the knowledge of the bank's evaluator who therefore became an important functionary. While the official's name is sadly unrecorded, we do know that he ran into trouble with the Board in the initial years of operation, for its members proved to be sharper than he was. In 1918, it was found that the weight of the gold was measured correctly but the valuation was wrong. A few months later, an instance of overvaluation by Rs 3,000 was detected and the official was cautioned. That KVB always had a humane side to it is made evident when studying instances of default owing to unforeseen circumstances. Thus when a borrower from Nicholsonpettai, a suburb of Karur, died within four months of availing of a loan, it was decided to return to his wife the goods offered as collateral, without charges, provided she could pay back the money borrowed.

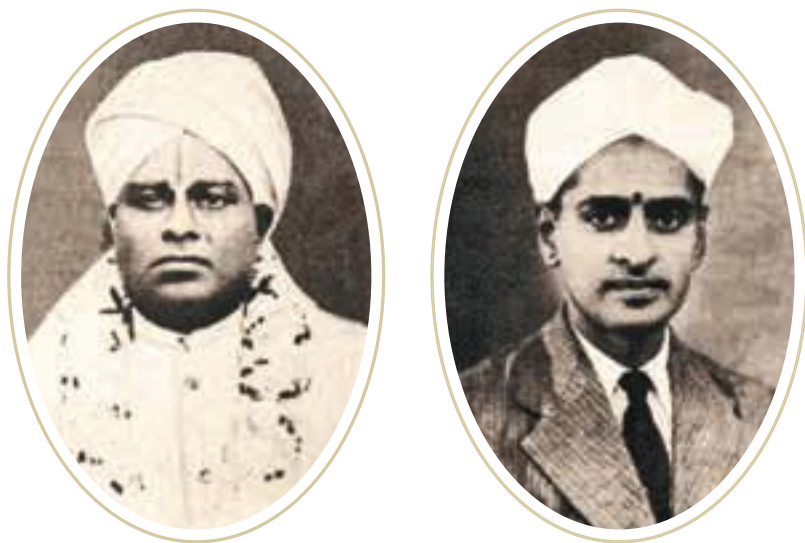


*V.S.N. Ramalingam Chettiar,
Founding Director*



*V.K. Venugopala Chettiar,
Founding Director*





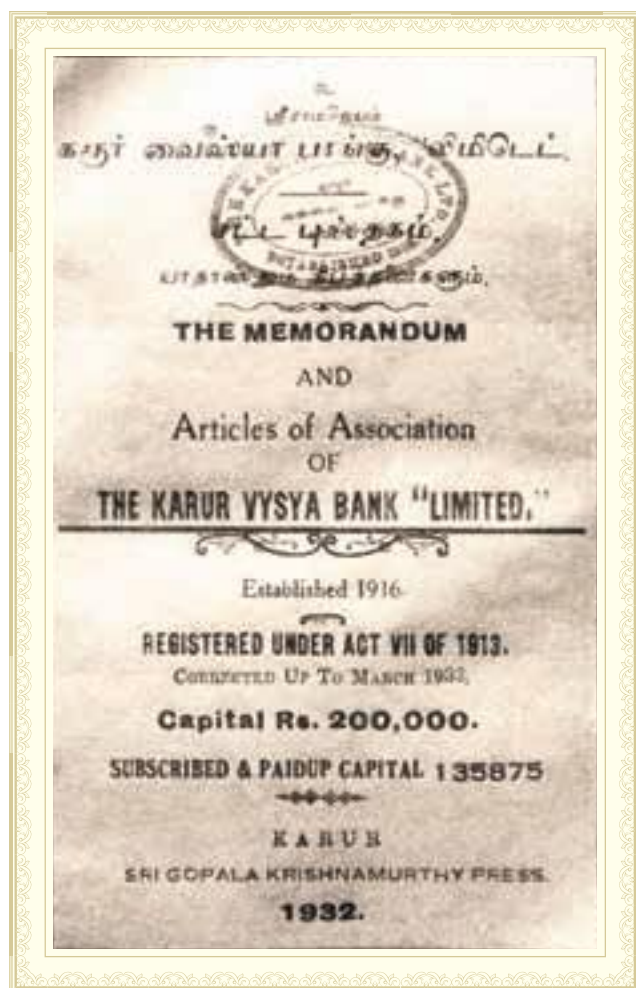
The first Secretaries of the bank, left: R.M. Kesava Venkatarama Chettiar (1916-1918) and right: K.S. Venkatasubramania Iyer (1918 – 1932)

We have looked at the way the bank extended credit facilities in its initial years. But what of deposits with which it could fund such activities? This was a far more challenging area for KVB. R.K. Seshadri, in his book *A Swadeshi Bank from South India*, that records the history of the Indian Bank on the occasion of its Platinum Jubilee, writes, “It was not unknown in those days for newly-floated banks to pay substantially higher rates for deposits. Half a percent more on current accounts and anything up to one and a half per cent more on fixed deposits seem to have been offered by the more venturesome units.” With caution being a mantra of sorts at KVB, this was not something they wished to do. But even before this, there was the matter of Government approval for becoming eligible to accept public deposits. This was for some reason not that easily forthcoming. Owing to this, the bank was faced with a piquant situation in 1918 – it had to return the deposits it had taken in, with interest. KVB thus needed funds for loans and also to refund deposits. This could have resulted in a potential run on the bank had it not been for a call to shareholders who were yet to pay their committed capital. This saved the day and shortly thereafter, the permission from the Government did come in, thereby enabling the bank to call for public deposits.

In the interim, anticipating such a situation, it was deemed best that KVB applied for an overdraft facility with the Bank of Madras. This was easier said than done, for that venerable institution, run entirely by and for British interests, was extremely finicky when it came to doing business with, what were rather deprecatingly termed, ‘native banks’. However, Venkatarama Chettiar, having been on the district-level advisory board of the bank may have helped and the overdraft was arranged, the limit fixed at Rs 10,000 and the President and Vice President authorised to avail it. This was however, discontinued in 1923, by when the funds position became comfortable.



In an era when there was no central bank watching over the interests of the depositors, financial institutions operated pretty much on their own. The more ambitious and unscrupulous ones took plenty of risks such as speculating in shares, bullions and commodities, all of which gave great returns when the going was good and invariably resulted in a spectacular crash sooner than later. People were therefore wary of banks in general and the “preferred investments in those days were in the order of jewels, English sovereigns and half sovereigns, the weight and fineness of which were known and certain, silver, agricultural lands, real estate and Government paper that yielded 3 ½ per cent returns. Deposits in commercial banks, many of which were perhaps not very sound, probably came last; and in a mofussil town without banking facilities, they could not of course be considered at all” – thus wrote R.K. Seshadri in his survey of banks in the first decade of the 20th century. It was in such circumstances that the founders of KVB solicited investors.



The Memorandum and Articles of Association of KVB

The avenues for investment for a conservative bank were also very limited. Surplus funds, if any, were placed in Government securities. This was a necessity as in the case of a crisis, this was the only collateral that the Bank of Madras accepted in order to lend money to any bank needing it. Government bonds or Gilts, as they are known, have traditionally been secure but low yielding investments. A bank that believed in playing it safe, and certainly KVB was among them, had to maintain a cash reserve of at least 25 per cent. This may seem very high today but in those days this was the norm. Despite all these restrictions, banks had to earn profits and it was perhaps no wonder that in the first year, KVB posted modest but positive results. The first year of operation saw a dividend of 13 annas and four paise per share of face value Rs 100, being announced. The second year was sensational for the times – dividend was Rs 10 per share – the founders had been true to their commitment to the shareholders.

That did not mean that it would be an untroubled journey from then on. Firstly, there were changes in the executive level – Kesava Venkatarama Chettiar stepped down from the post of Secretary for a year in 1918 and was replaced by T.V. Sundararajulu Chettiar, another Director. This was however a temporary transition, for we find the previous incumbent returning to his post within a few months. However, he stepped down permanently a year later and was replaced by K.S. Venkatasubramania Iyer. He was to be with the bank till 1932, a tenure that was later recorded as one in which the institution made great progress and opened several branches. What is significant for those times is that while Venkatasubramania Iyer’s salary was to be a fairly high Rs 60 per month, a part of it was dependent on the bank making profits – an instance of performance linked rewards that are so common today. More interestingly, when the Secretary took leave for two months owing to some personal commitments at a time when the bank needed his presence, he was sanctioned absence without pay!



By 1918, the bank was a busy place and it was felt that the front room of M A Venkatarama Chettiar's residence was too cramped for comfort. The bank was shifted to another building taken on rent. In 1921 when even this was found to be too small, another premises was identified and the shift effected. A year later, the bank would face one of its toughest challenges though not one that it was responsible for – the bubonic plague. This was a frequently occurring epidemic in the area; indeed Karur and its environs were earmarked by the Government as places particularly prone to the scourge. The outbreak in 1922 was severe enough for the Board to anxiously monitor its impact on the bank's business.

By March, a decision was taken in principle that in case the situation worsened, the bank would have to shift operations to Trichy. By December, with copious rains flooding the Amaravati, what was feared came to pass and the Board pressed the panic button. It was decided that no more loans would be given against commodities till the epidemic abated and the Secretary was asked to foreclose all existing borrowings of that kind. Fearing the viability of the bank in such a situation, four Directors – Lakshminarayana Chettiar who also doubled as godown keeper, Ananthapadmanabha Chettiar, Venugopala Chettiar and Sundararajulu Chettiar filed for a return of their deposits. This was accepted and the commitment was honoured while they stepped down from the Board. In January, the plague began spreading even more virulently and the bank had to shift the pledged gold and its papers to Trichy. The Secretary and B.S. Gopalakrishna Chettiar, one of the Directors, were given an allowance of Rs 20 and Rs 15 respectively to carry out the task. The bank practically ceased functioning for a period of five months as can be seen from the absence of any records in the Minutes books.

The two years that followed were tough ones. The bank returned to Karur by May but business conditions were deeply impacted by the plague that had just about receded. Tough measures were called for and one among these was to take on apprentices without salary. The first of these, M. Gopalakrishnan was to work for free from August 1923 till the end of the year; when impressed with his diligence, the bank appointed him as a second clerk on a Rs 17 As 8 per month salary. Lending rates were hiked, from 12 annas to Re 1 per Rs 100 borrowed. Rules were amended to attract more deposits – Directors had to keep a cash deposit of Rs 1,250 with the bank. A new scheme – recurring deposits where Rs 2, if paid every month, would yield Rs 50 at the end of two years – was announced. These deposits could, if needed, be closed prematurely as well. A cap was placed on the amount that could be withdrawn from any deposit – anything more than Rs 300 was disallowed. Fixed deposits, which earlier had to be placed for a minimum term of 12 months, were now available for six months too. It was also decided to borrow money at the rate of 13 annas per Rs 100.



The Karur Branch in 1921 opposite Vasavi Temple

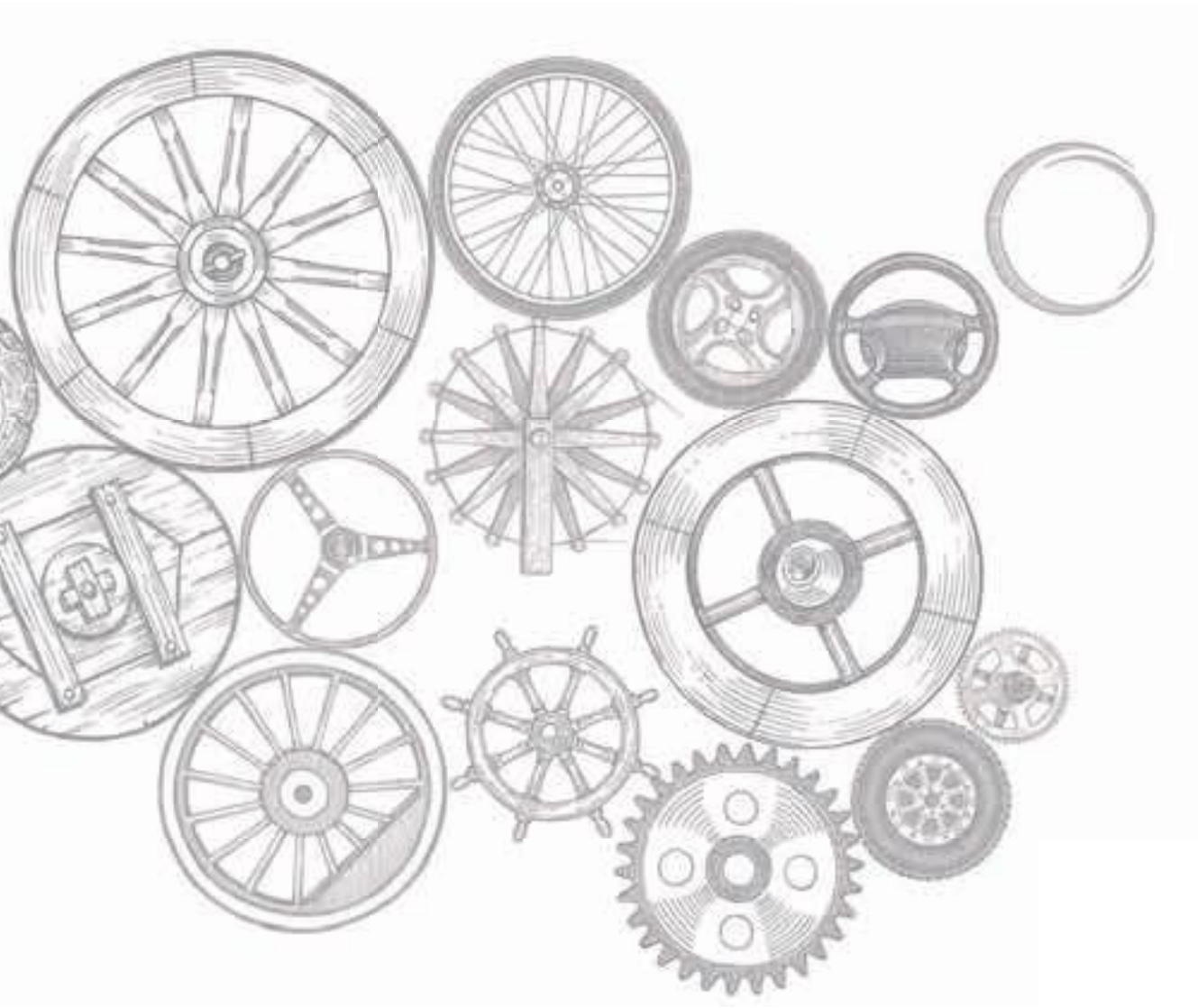
(b) ஒவ்வொரு வயதிலும் தேருகடையாகும்
 லாபத்தில் ரூபாய் நூற்றுக்கு, ரூபாய் ஒன்று வீதம்
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 செய்யலாம்.

Extract about Dharma Fund from the Memorandum and Articles of Association

Despite the hardships it faced, the bank did not overlook the claims of those less well-placed. It had been decreed by the Founders even at inception in the Memorandum and Articles of Association of the Bank that one per cent of the bank's profit had to be spent on charity, a form of Corporate Social Responsibility (CSR) that has now become fashionable post the new Companies Act of 2013. During the height of the crisis, in October 1923, bonuses were paid to staff. In addition, Rs 604 As 8 was allotted to a loss compensation fund from the interest of which staff were given ex gratia payments. In 1925, by when more prosperous times had come about, a thanneer pandal – a temporary pavilion where water and buttermilk is dispensed to the thirsty during peak summer – was sanctioned at a cost of Rs 50. A Dharma Fund was set up from the proceeds, of which scholarships were to be given to students of the Municipal School on the basis of the Headmaster's recommendations. The first beneficiaries were M.R. Rangaswami of Form VI (equivalent to today's Standard 11 and then the final year in school), S.S. Gopalan and R. Venkataraman of Form IV (Standard 9) and G. Balasubramanian of Form II (Standard 7). In subsequent years, the Dharma Fund was to be a regular feature.

By 1926, the bank was back on track – the first signs of which were a sharp reduction in lending rates – they were back to 13 annas per Rs 100 from the earlier Re 1. Interest on jewel loans was reduced to 10 As for Rs 100. By then funds were becoming cheaper and it was decided to impose caps on fixed deposits.

In this manner, a whole decade had gone by since the inception of the bank. The outside world had however not been at a standstill and many developments had taken place in the same decade, all of which would affect the way KVB would function. Clearly, if the bank had to survive, it needed to be flexible and responsive to the environment.





CHAPTER - 3



The fortress at Dindigul, photographed in 1924

The Interwar Years

During the years that KVB was still finding its feet, developments that would eventually have a powerful impact on the Indian banking industry were afoot. The first of these, and one that would set off many subsequent events, was the amalgamation of the three Presidency Banks to form one common entity.

We have already noted that each of the three Presidencies – Bengal, Bombay and Madras, had their own banks and the jurisdiction of each was jealously guarded.

Efforts to amalgamate them had begun in the 1870s but did not meet with sustained success. In 1913, a Royal Commission on Indian Finance and Currency was set up and at a very early stage, it was felt by its members that India needed a Central or State bank. Two of the Commission's members, Sir Ernest Cable (later Lord) and John Maynard Keynes (later Lord), the eminent economist, were asked to study this issue. Keynes came up with a comprehensive scheme for what he called the Imperial Bank of India. He envisaged this to be formed by the merger of the three Presidency Banks. Its functions, according to him, would be issue of notes, management of India's public debt, effecting remittance for the Secretary of State through the London office and acceptance of payments and making disbursements on behalf of the Government.

The First World War broke out shortly thereafter and as bankers to the Government, the three Presidency Banks had to work in close collaboration. This made them realise that it made sense to amalgamate, and there existed a persistent fear that some powerful banking interest abroad may secure control over Indian banking. A proposal for amalgamation was put together by the banks and forwarded to the Government shortly after the declaration of the Armistice in November 1918. The decision to amalgamate the Presidency Banks was announced in the Indian Legislative Council in September 1919. The Bill was passed in the Legislative Council in September 1920 and the Imperial Bank of India came into existence early in 1921 with the mandate that it had to set up 100 branches in the country within five years.



*K.N.V. Ramaswami Chettiar,
Director 1934-1946
Vice President 1946-1960*



Almost immediately thereafter, the debate began on the necessity for a central bank that was non-commercial in nature. The creation of the Imperial Bank had led to a situation where it was controlling the credit in the economy while the Government was controlling the supply of money. To overcome this it was felt that India needed an institution on the lines of the Bank of England. This argument received a boost when the Hilton-Young Committee, set up in 1925 to study India's currency problems, recommended that what the country needed were two entities – a strong central bank and great commercial bank. The latter was of course the Imperial Bank and to fulfil the former requirements, a Reserve Bank of India was proposed.

A Bill to this effect was introduced in the Central Legislative Council in 1927. This was modified repeatedly owing to recommendations from various sources and also the constitutional reforms that were being debated simultaneously. In 1933, the Government of India brought forward the Reserve Bank of India Bill and the institution came into existence on April 1, 1935.

We find echoes of these developments in the KVB Minutes books. But before we go into that it would be good to see how the bank fared in the second decade of its existence. In 1926, KVB was healthy enough for the build up of reserves in the balance sheet, the amount transferred that year from the profits being Rs 77 As 7 P 7. From then on, there was never to be a year when the reserves were not built up. Another sign of the bank doing well was its decision to open a branch at Dindigul. At around this time, M A Venkatarama Chettiar decided to step down from the post of President at the General Meeting on October 27, 1926. He believed that having been at the helm of affairs, his work had been completed and the bank was on a sound footing. The Board urged him to reconsider but he was quite clear that his age would not allow him to take on such an onerous responsibility any longer. He requested that the Board focus on electing his successor rather than asking him to change his mind. Fortunately for the Directors, the choice was clear. Athi Krishna Chettiar, the co-founder, was immediately elected President, his name being proposed by K.R. Venkatarama Chettiar and seconded by Bangaru Sundaram Chettiar. M A Venkatarama Chettiar continued on the Board and served as Vice President till his passing in 1934. On March 30 that year, the Board convened to mourn his death and sanctioned funds for the commissioning of his portrait, which would be placed at a prominent position at the Head Office. K.N.V. Ramaswamy Chettiar, son of K.N. Viswanatha Chettiar, one of the founding Directors, filled the vacancy caused by his father's demise. Ramaswamy Chettiar was a Board member from 1934 to 1946 and thereafter served as the Vice-President of the bank until his demise in 1960.



The first safe of KVB



The First Branch of KVB opened at Dindigul in 1927, in premises owned by the bank



Athi Krishna Chettiar was to be President for a long period of time. Among his first activities was to get the Dindigul branch going. Compared to Karur, this was a prosperous town with plenty of business activity. *Illustrated Guide to the South Indian Railway* for 1926 referred to earlier, lists cigars, safes, locks, bell-metal vessels, country cloth and leather, apart from paddy and dry grains as its chief produce. This was apart from the coffee and cardamom that came from the surrounding hills. An interesting aside is that KVB's first iron safe, in which it kept all its documents and cash, was made in Dindigul and survived for long. A historic town, Dindigul acquired importance because of its strategic location – it commanded passes between Coimbatore and Madurai. It was a stronghold and favourite location of Hyder Ali who strengthened the Nayak period

fortress at its hilltop, that which continues to dominate the town. The British were to repeatedly conquer it only to lose it but eventually become its masters in 1790. A few years later, Dindigul became well known for its cigars. The setting up of a Spencer & Co cigar factory here meant employment in the industry for hundreds of workers. Soon some Indian companies set up cigar rolling facilities here as well. This led to some of India's earliest patent battles. The ownership of the Dindigul brand would be severely contested with several names such as Cigarro de Dindigul and Flor de Dindigul being launched. In planning a branch here, KVB had displayed a good knowledge of its market. Significantly, in 1927, there were no scheduled banks in the town, the existing financial institutions all being cooperatives. KVB would thus score a first.

The decision was no ordinary one and required resolutions from the General Body for which an Extraordinary Meeting was called on December 2, 1926. The Asadharana Maha Sabhai as it is referred to in the Minutes, wholeheartedly approved. A team comprising Ramalinga Chettiar, Balagurumurthy Chettiar, Athi Krishna Chettiar, U.R. Subramania Iyer, the Auditor and B.S. Gopalakrishna Chettiar, the Valuer, was entrusted with the task of making the branch a reality. The four Directors referred to above would eventually become the Executive Committee that was responsible for the working of the Dindigul branch. A new recruit, I.S. Rangaswamy was the Assistant Secretary who would report to Venkatasubramania Iyer. Finding a Valuer at Dindigul proved difficult and Gopalakrishna Chettiar was asked to function from there till further notice. The branch came into existence on January 17, 1927 with an initial investment of Rs 15,025 As 11 P 5. The lack of a suitable Valuer for gold proved a major deterrent especially after Gopalakrishna Chettiar returned to Karur. The Minutes books continually lament the fact that the funds allotted for jewel loans remained unspent owing to there being no suitable person to value gold. In February 1928, a Valuer was finally appointed. As though in thanksgiving, we find the bank organising a special worship at the Thanthondri Perumal temple.

By then, the Head Office in Karur had sizeable staff strength – the Secretary, the Valuer, a Shroff (the functionary who monitored lending operations), a head clerk, several clerks, a number of peons, a watchman, a night watchman and a godown keeper. Both the clerks and peons were graded on seniority and were designated First Clerk, Second Clerk, etc. The peons too had the same hierarchy. The branch followed the same staffing pattern and this led to a great benefit – each time a vacancy occurred at one office, the immediate task of filling it was done by transferring a person of the same designation from the other location. This kept the staff rotated between the Head Office and the branch and soon they were to become familiar with operations at both locations. At the same time, employees who served both offices were suitably compensated.



Staff of the early branches - Dindigul and Dharapuram



Staff of the early branches - Erode and Kulithalai



That operating a branch at Dindigul was a happy experience is made clear from the Silver Jubilee souvenir of the bank – “The ready support we received from the public by way of demand for loans, of course on good securities, and the confidence they reposed in us by depositing in various accounts and the successful working of our Dindigul branch pointed to the potential of branch banking and encouraged the management to open other branches.” The pace of setting up new offices in other locations was rapid indeed. The Dharapuram branch opened on February 11, 1929 without the fanfare that had accompanied the Dindigul inauguration. Six months later, on August 25, KVB struck roots at Kulithalai, a fertile town on the banks of the Cauvery. Offices came up in Erode, Namakkal and Gobichettipalayam between 1930 and 1932. It was also felt that at Karur there ought to be a branch that was distinct from the Head Office. This was inaugurated in the market area of the town on August 10, 1932. This branch would peregrinate to a couple of other locations, before shifting in 1983 to premises owned by KVB, which until then had been the Head Office of the bank.

The bank began an interesting tradition in its Kulithalai branch. The Head Office sanctioned funds amounting to Rs 5,555 As 11 P 55, as seed money for the Kulithalai office to begin business. This perhaps worked well, for thereafter this sum was considered an auspicious amount and the same was invested in every new branch that was started! Each branch had an Advisory Committee comprising four prominent personalities from the locality. Their function was to help the bank assess the creditworthiness of borrowers and introduce the staff to high net worth individuals in the immediate vicinity.

The mid 1920s were a period of relative prosperity – the Tamil cultivators had, in particular, switched to cash crops, a large percentage of which was being exported.

The demand was for sugarcane, oilseeds, groundnut, tobacco and cotton as compared to food grains. Investment in agricultural land was proceeding apace and credit was in demand. To gather the funds needed to finance these requirements, KVB came up with prize schemes. Known as Prize Settu (set), it envisaged a draw of lots each month when the prize-winning depositor would receive Rs 5. This was to meet with such an enthusiastic response that the schemes were repeated several times in a year.

Such a scorching pace for the times meant that the staff at KVB was continually stretched in the early days. The hiring of apprentices without salary, to be confirmed within a short period if found to be good, became a regular practice. Allowances were also regularly paid to staff under the head of ‘excess work load’. There were errors in judgement as well that at least in one case, caused much trouble for the bank. This is a tale that needs to be told in some detail chiefly to illustrate the way such issues were handled. A lady to whom the bank had loaned money on the basis of the surety given by a gentleman, died on August 15, 1927. It was learnt that the woman had been borrowing freely from several people and in order to recover its dues KVB applied to the Trichy court for an attachment order on the guarantor’s property. Unfortunately for the bank, all the other creditors followed suit and this became the subject of protracted litigation, compounded further as the guarantor declared insolvency. The case lasted two years and at the end of it the bank was not satisfied with the compensation it received. The Board debated filing an appeal in the High Court of Madras stating that this would have to be funded by the Secretary K.S. Venkatasubramania Iyer, as the whole problem had been the result of his carelessness. This prompted a spirited rejoinder from the latter, and he furnished enough evidence to prove that he had been most diligent as far as the litigation was concerned. The idea of going on appeal was dropped thereafter.



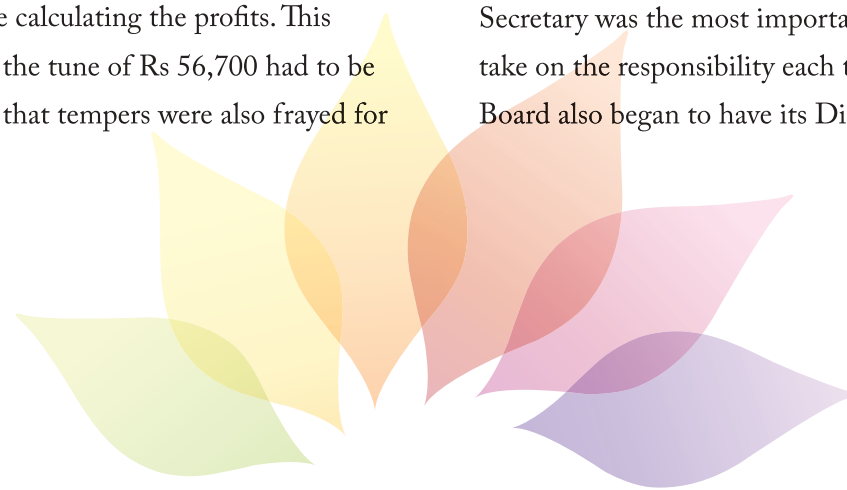
Staff of the early branches - Namakkal and Gobichettipalayam



A decision was taken in 1929 to open a branch in Trichy but this was soon put off, with very good reason. The Great Depression, which had begun in the United States of America with a crash of the stock exchange, had its impact all across Europe. The Madras Presidency though an insignificant player in the world scheme of things was to feel the effect chiefly in the agricultural sector which had as seen earlier, become increasingly based on cash crops. Exports from Madras fell by 31 per cent within a year, leading to a glut in the domestic market and an immediate fall in prices. The worst affected were oilseeds, spices, grain and cotton. The Trichy-Karur belt being essentially dependent on the same commodities was most adversely impacted. The freefall had its echoes in the performance of KVB as well.

The profits of the bank, which had been climbing steadily since 1927, reaching a peak of Rs 60,608 As 5 P 7 in 1931 resulting in a 12 per cent dividend to shareholders and a bonus of four months wages to staff, fell sharply in 1932 to one third of the previous year's value. There was also an accounting discovery that contributed to this – the interest to be paid out on long-term fixed deposits had not been taken into account for several years while calculating the profits. This needed correction and provisions for payments to the tune of Rs 56,700 had to be made in 1932. Belts were tightened and it is clear that tempers were also frayed for

there was a considerable shake up among the staff that year. Early in January, the Secretary, the cashier and the Valuer resigned en masse. The Board quickly moved in to salvage the situation – M. Lakshminarayana Chettiar was appointed Secretary at a salary of Rs 75. The Valuer and cashier posts were also filled in. It is quite likely that the Board foresaw such a situation coming up, for just a month previously it created the post of a Relieving Officer whose sole responsibility was to travel immediately to any location where a vacancy had arisen and temporarily fulfil the responsibilities of the post that necessitated a recruitment. He was expected to double as an Inspection Officer and when not occupied with these responsibilities had to serve at the Head Office. Given the importance of the post and that the official would be privy to sensitive information, he was asked to pay a caution deposit of Rs 4,000 before taking on the job. The first incumbent was M.K. Ramachandra Chettiar but in September 1932, within nine months of his appointment, he opted to step down, wanting to join the Law College, Madras. The Board not only accepted his resignation but also sanctioned Rs 40 from its Dharma Fund for him to pursue his education! Realising that the post of Secretary was the most important, it was decided that one of the Directors would take on the responsibility each time the salaried incumbent had to go on leave. The Board also began to have its Directors go regularly on inspection to the branches.





“No director would dream of unnecessarily spending the bank’s money while on these inspection tours”, reminisces A.S. Janarthanan the Chief Mentor of KVB who recalls, as a child, accompanying his father Athi Suryanarayana Chettiar on some of these visits. “There were no big hotels anyway. The visiting Director would make do with the toilet and bathroom facilities in the bank premises and also sleep on one of the benches at night. It was on such spartan foundations that the bank’s present prosperity was built.” The tours were to reveal errant behaviour on the part of some staff and action was immediate.

13th PERIOD		The Karur Vysya Bank, (Limited)		Balance Sheet as at 30th September 1932.		Estimated	
Head Office: KARUR.				Amount in Rupees		Amount in Paise	
Capital and Liabilities	முதலியும் பதில்களும்.	Rs.	As.	Rs.	As.	Rs.	As.
Capital	முதலியும்						
AUTHORIZED & ISSUED CAPITAL. 8000 Shares of Rs. 25 each	அனுமதிக்கப்பட்ட & பிடிக்கப்பட்ட முதலியும் 8000 பங்குகள் ரூ. 25 ஒன்றுக்கு	80,000	0	0			
SUBSCRIBED & PAIDUP CAPITAL. 5435 Shares of Rs. 25 each	பிடிக்கப்பட்ட & செலுத்தப்பட்ட முதலியும் 5435 பங்குகள் ரூ. 25 ஒன்றுக்கு			1,35,875	0	0	
Reserves:-	சேமிப்புகள்:-						
Reserve Fund	சேமிப்பு நிதி	43,234	7	8			
Building Fund	கட்டிட நிதி	3000	0	0			
Charity Fund	கரிசு நிதி	84	0	0			
Dividend Equalization Fund	பிடிப்புகள் சமனாக்கல் நிதி	2750	0	0			
Bad Debts reserve	பாதி பிடிப்புகள் சேமிப்பு	5461	7	2			
Fixed Deposit Interest Reserve	பிடிக்கப்பட்ட பிடிப்புகள் தொகுப்பு	5000	0	0			
Prize Chit Interest Reserve	பரிசு சீட்டு தொகுப்பு	1000	0	0			
Deposits: Fixed monthly & Current	பிடிப்புகள்: நிலையான & சமீப கால			61,500	14	10	
Staff Security	பணியாளர் பாதுகாப்பு			34,550	0	0	
Prize chits	பரிசு சீட்டு			1,04,960	0	0	
Assets (Miscellaneous suspense)	பொருள்கள் (பல்வேறு சந்தேகம்)			7386	11	8	
Profit as per last Balance sheet	முந்தைய பிடிப்புகள் பிடிப்பு	60,608	5	7			
Dividend	பிடிப்புகள்	2447	8	0			
Bonus to staff	பணியாளர் பரிசு	3927	5	0			
Reserve Fund	சேமிப்பு நிதி	30553	0	10			
Dividend Equalization Fund	பிடிப்புகள் சமனாக்கல் நிதி	600	0	0			
Building Fund	கட்டிட நிதி	1000	0	0			
Charity Fund	கரிசு நிதி	285	0	0			
Bad debts Reserve	பாதி பிடிப்புகள் சேமிப்பு	3121	3	5			
Legal adviser's Fees	சட்ட ஆலோசனை பணியாளர் தொகுப்பு	120	0	0			
Fixed deposit Interest Reserve	பிடிக்கப்பட்ட பிடிப்புகள் தொகுப்பு	5000	0	0			
Prize chit Interest Reserve	பரிசு சீட்டு தொகுப்பு	1000	0	0			
Court Costs without	சட்ட சீட்டு தொகுப்பு	514	1	4			
Net Profit as per profit and loss account.	புத்தக பிடிப்புகள் பிடிப்பு					18,111	3
Total Rs.	மொத்த ரூ.					1,39,742	0

Dr. Profit and Loss Account for the Year ending 30th September 1932		Amount in Rupees		Amount in Paise	
Losses.	பிடிப்புகள்.	Rs.	As.	Rs.	As.
To: Depositors Interest	பிடிப்புகள் தொகுப்பு	80,184	10	5	
Salaries	பணியாளர் தொகுப்பு	18,204	1	0	
Rents	பிடிப்புகள்	4,302	17	0	
Taxes	பிடிப்புகள்	11,500	11	1	
Directors, & Auditors fees	பிடிப்புகள் & பரிசீலனை பணியாளர் தொகுப்பு	1300	5	0	
Books, Stationery & Printing	பிடிப்புகள் & அச்சுப்பாடு	1484	14	0	
Contingencies (Bathalwar)	பிடிப்புகள்	1583	4	3	
Registration Charges	பிடிப்புகள்	18	0	0	
Travelling Charges	பிடிப்புகள்	732	3	3	
Chit Prizes	பரிசு சீட்டு தொகுப்பு	2707	0	0	
Court Expenses	சட்ட சீட்டு தொகுப்பு	31	10	0	
Legal adviser's fees	சட்ட ஆலோசனை பணியாளர் தொகுப்பு	50	0	0	
Depreciation on furniture &c	பிடிப்புகள்	229	5	0	
Balance Net Profit	பிடிப்புகள்	1611	3	5	
Total Rs.	மொத்த ரூ.	1,39,104	7	7	

We certify that the figures in the Balance Sheet are correct, that the Balance Sheet is drawn up in conformity with the law and that all the Books documents & Journals are kept safe.

N. C. SREENIVASAN, D.D. A.
General Auditor
31-10-32

Directors:
M. S. Srinivasan Chettiar,
G. U. S. Srinivasan Chettiar,
A. S. Srinivasan Chettiar,
U. S. Srinivasan Chettiar.

President:
A. S. Srinivasan Chettiar,
Karur.

Auditors Certificate: I have audited the above Balance Sheet with books & vouchers of the Head Office & draw up in conformity with the law, and it exhibits a true and correct view of the state of the Bank's affairs as at the date of the Balance Sheet.

The Depression retained its stranglehold on agricultural business till 1935. With wholesale prices continuing to decline and with very few traditional avenues to invest money in, the bank began to look at new opportunities. While the slump had played havoc with agriculture, it was to ironically spur Indian industry – banks began to come up as did textile mills, sugar factories and cement plants. While KVB was to take its time in supporting the industrial establishments, it began to look at fellow banks as suitable opportunities for investment. The Board approved the purchase of shares in the Imperial Bank of India and Government bonds in 1932. It built relationships with other banks floated by members of the Arya Vysya community – thus it placed some of its money in fixed deposits with the Arya Vysya Bank of Coimbatore. It also sanctioned loans to Lakshmi Vilas Bank, which was established in Karur in 1926, and the Dindigul Sri Kannika Parameswari Bank. The two institutions also had current accounts with KVB. Between 1933 and 1935, there was a sharp increase in the number of banks that KVB began transacting with – names such the Kumbakonam City Union Bank, the Indian Bank, the Salem Kannika Parameswari Bank and the Bank of Hindustan began making their appearance in the records.



M. Lakshminarayana Chettiar,
Secretary 1932-1962
Director 1962-1975





CHAPTER - 4



The KARUR VYSYA BANK Ltd.,
KARUR
(ESTABLISHED 1916)

Silver Jubilee on 30-8-1941

Dewan Bahadur K. SUNDARAM CHETTIAR,
Retired High Court Judge, presides over celebrations.

Sri C. R. SRINIVASAN,
Editor, "Swadesamitran" and Director, Reserve Bank
of India, delivers address on "Banking Developments
in India".

An advertisement in The Hindu for the Silver Jubilee

The Second World War and Its Aftermath

In the 1920s, a Committee had recommended the setting up of a Central Bank in India that would not concern itself with commercial activities. It would deal with the then prevalent problem of currency control by the Government while the Imperial Bank controlled the credit situation. The Committee felt that a strong central bank (the future Reserve Bank) and a great commercial bank (the Imperial Bank) were both needed in the country. The Gold Standard and the Reserve Bank of India Bill were both introduced in the Legislative Council in 1927. This was modified repeatedly owing to recommendations from various sources and also the constitutional reforms that were also being debated simultaneously. In 1933, the Government of India brought forward the Reserve Bank of India Bill. In 1935, with the announcement of the formation of the Reserve Bank of India (RBI), to be constituted as a shareholders' bank, KVB decided to invest in the new institution. It must however be remembered that much of the RBI's regulations of the early years were not binding on KVB as the latter was then not a scheduled bank – an institution included in a listing of banks in the RBI Act. Its decision to acquire shares in RBI must therefore be attributed to farsightedness. A sum of Rs 1,000 was allotted for this. Among the first actions of the new central bank was the announcement of the Bank Rate – 3.5 per cent – the rate at which it would provide



money as a lender of the last resort. In November this rate was brought down to 3 per cent. The impact of this was felt across the banking industry. All banks, including KVB, fixed interest rates by locality – at times a group of institutions would jointly fix the rates for a particular town. This practice was to die out and variations, if any, were to become minimal thereafter.

That year, with the economy showing signs of revival, the bank went ahead with its plans to open a branch in Trichy. Kumbakonam followed in 1936, Thanjavur in 1937 and Coimbatore in 1940. A series of measures including the Madras Agriculturists Relief Act of 1937, brought in by the newly-elected Congress Government led by C. Rajagopalachari was to help in the revival of agriculture. “This was a key factor that spurred growth and also made banks such as KVB look at agriculture with renewed interest,” says T.R. Ramanathan, a lawyer by qualification and agriculturist by profession, who was a Director of KVB from the 1970s onwards. “This however again meant a gold loan, for that was the security against which money was lent.” There was also evidently a revival of interest in real estate – chiefly for farming purposes. The bank thus resolved to give what it termed as zamin loans, but only to Government employees drawing a minimum salary of Rs 30 a month. The same year, a chit fund scheme was introduced at the Erode branch, restricted to a maximum of 100 participants and a cap of Rs 1,000. This was a great success. Personal loans at six paise

Staff from various branches. Clockwise from left bottom: Coimbatore, Thanjavur, Tiruchirapalli and Kumbakonam

interest for every Rs 100 borrowed were granted on the execution of a promissory note. This facility was however soon withdrawn chiefly owing to difficulties in recovery. It soon made its reappearance, this time with the proviso that borrowers needed to be vetted by the Board and one of the Directors had to stand personal guarantee.

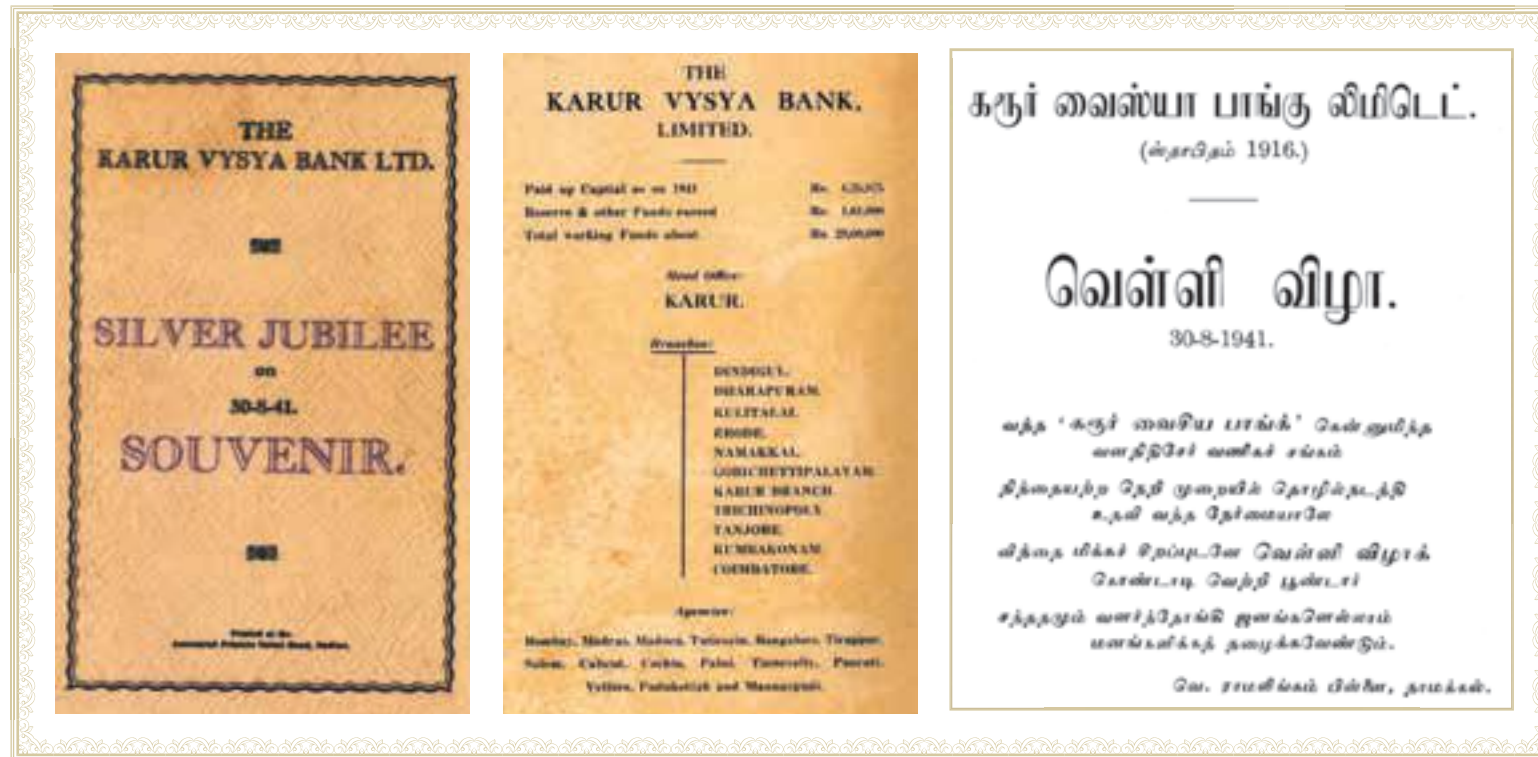
With the Second World War breaking out in 1939, Indian industry went through a boom phase. Madras was the only port city that was untouched by the advance of the Axis powers; the famine in the east did not impact the south and it was not much affected by the intensification of the freedom struggle. The region was to actually do well out of the war. There were of course great shortages. With rice being exported to meet the war effort, the south had its first interaction with wheat as a staple diet. Not many were happy with that. But more serious was the scarcity and rationing of petrol. There were blackouts and great fear that Japanese planes would bomb Indian towns. That threat too became real with Vishakhapatnam and Kakinada being shelled. Fortunately for KVB, the deep South where it operated remained relatively untouched.

It was in this mixed atmosphere that KVB began its branch in Coimbatore. The drastic decline in land value owing to the Great Depression, protective duties, low wages and hydroelectricity from the Pykara scheme all resulted in that town becoming a major cotton-processing centre. As many as 29 mills and ginning factories were set up in the area between 1929 and 1937. The adjoining town of Tirupur became a major cotton mart. Karur too would benefit – its present day status as an exporter of cotton quilts and bed sheets began then when a local businessman abandoned the traditional looms and set up modern facilities for mass production. The town soon had a large warehouse for

yarn as well. Gradually, many textile units began to be set up in Karur, some of the entrepreneurs who embarked on such activities having made money through film distribution and deciding that cloth was a safe venue to park their surplus cash in. This was also when a weaving and knitting factory came up in Karur. All of these units sold their wares by sending out salesmen with samples to tour the length and breadth of the country. The orders booked along with sample numbers would be telegraphed and the consignments would be despatched accordingly. Suddenly, Karur began evolving as a textile centre. By the early 1940s, most of the Coimbatore mills were into their second phase of expansion and KVB became a banker of choice for several mill owners.



Above: Staff at the Head Office, and Below: At the Karur branch



Left to Right: The cover of the Silver Jubilee Souvenir, the bank at a glance in 1941, and a poem in praise of the bank by Namakkal V. Ramalingam Pillai

What was to be a prosperous period for the bank was tempered by a shock – the collapse of the Travancore National & Quilon Bank Ltd. This was a very prosperous bank in the then princely state of Travancore and its collapse had a sensational impact. In the immediate aftermath, confidence in private banks was shaken. There was a view that others too would default and KVB, having as it did extensive business transactions with the Travancore National & Quilon Bank, was considered particularly vulnerable. But there was really no cause for worry. The Directors fanned out to the various branches and began reassuring investors that their money was safe. This had the desired effect and confidence was soon restored.

In its Silver Jubilee souvenir, KVB was to refer to what it had been through – “The Bank has not been without its vicissitudes, which however were temporary. Failure of a prominent West-coast bank a few years ago, had had its repercussions on banks in general. It is a matter for great satisfaction that the Bank emerged unscathed from the ordeal testifying to its vitality and strength.”

There was, however, no doubt that the crash of the Travancore National & Quilon Bank was one of the biggest that India had seen till then. With 80 branches in India and Ceylon and an operating capital of Rs 4.32 crores, the bank’s failure underlined the need for comprehensive banking reform and legislation. The RBI would begin working on that and that in turn would impact the functioning of banks such as KVB. That, however, was still in the future.

The year 1941 was to see KVB observe its Silver Jubilee. It had been an arduous journey till then and there were uncertainties in the near future what with the Allied reverses still continuing unabated. Still, it was celebration time in Karur. Who could have imagined that a small banking venture begun at the forecourt of the Thanthondri Perumal Temple could have grown to this extent? The record was impressive – the paid up capital had grown from Rs 1.28 lakhs in 1924 to Rs 1.35 lakhs in 1941. More importantly, the reserves had grown during the same period from Rs 5,751 to Rs 1,61,000, the deposits from Rs 52,401 to Rs 24,26,594, and the turnover from Rs 2,06,000 to Rs 28,24,843. The shareholders had been receiving a dividend of 12 per cent, except for the worst years of the Depression when it had still been given but at a reduced rate.

The souvenir released on the occasion noted with satisfaction that the “success of this institution and handsome dividends it is paying have stimulated further indigenous banking enterprises in the surrounding districts. During the last decade and a half, more than a dozen banks have opened in the districts of Trichinopoly, Coimbatore and Salem and they are all working well”.

The publication also has several passages on the bank’s working, which are worth quoting:

“We have more than 40,000 constituents either as borrowers or investors. Our constituents are of poor or middle class people who have to be obliged with loans for small amounts for various purposes. Our borrowers or investors, however small the amount may be, always receive prompt and courteous attention at the hands of the staff which make them consider it their own Bank and resort to it whenever necessary.

One important test by which the efficiency of a bank is judged is the proportion of its capital and reserves to its total deposits. In the case of our Bank this proportion is about 12%, which is quite high and compares very favourably with that of many of the great leading banks.

THE KARUR VYSYA BANK, LTD.
Estd 1916

Branches :—Trichinopoly, Tanjore, Kumbakonam, Coimbatore, Erode, Dindigul, Dharapuram, Kullitalai, Namakkal, Gobi & Karur Branch.

PAID UP CAPITAL ..	Rs. 1,35,875
RESERVE & OTHER FUNDS ..	Rs. 1,61,000
TOTAL TURNOVER ..	Rs. 28,24,843

FIXED DEPOSITS are received at the following rates :—

One Year at 5%	per annum
Two Years at 5¼%	" "
6 months at 4%	" "

Received and repaid at par at Madras, Salem, Madura and other important places.

M. LAKSHMINARAYANAN, B.A., B.L.,
Secretary & Manager.

An advertisement in The Hindu dated 1941

THE KARUR VYSYA BANK, LTD.
Estd. 1916
H. O.—KARUR.

A BRANCH OF THE BANK
will be opened shortly at
No. 2, Elukadal Street,
MADURA.

Fixed deposits will be received at the following rates :

For 4 to 6 months at 3½%	per annum.
For 1, 2 and 3 years at 4%	per annum.

M. LAKSHMINARAYANAN,
B.A., B.L.,
Secretary & Manager.

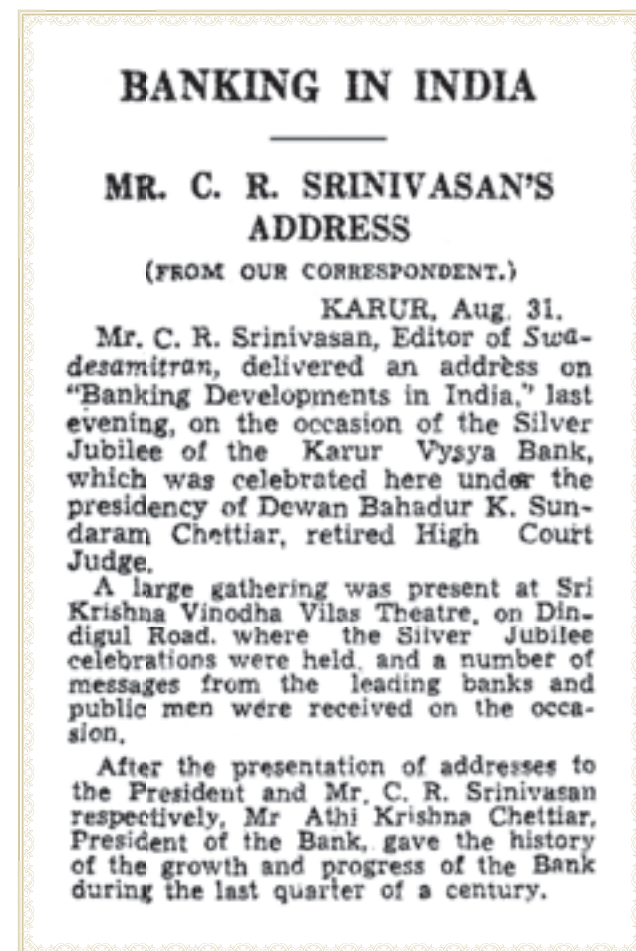
An advertisement announcing the opening of the Madurai Branch

(The Bank) has withstood keen competition from more powerful banks with very vast resources... and it may be said it has done good to the Bank. It has brought out our defects in working to the forefront and has goaded us to rectify the same. Keen competition and force of circumstances have brought out a revolutionary change in our methods of working and accounting. We are glad to say that the Bank has always been able to adjust itself to changing conditions without great difficulty.”

On the occasion of its Silver Jubilee, KVB resolved to upgrade itself to the status of a Scheduled Bank, and for this its paid up capital had to increase. The call went out to Directors and shareholders to subscribe. The value amounted to Rs 64, 125 for shares of face value Rs 25, each quoting a premium of Rs 10. The money however was slow in coming in and the desired increase in capital was reached only in 1946.

The celebrations were held on August 30, 1941 at the Sree Krishna Vinodha Vilas Theatre – an auditorium promoted by Athi Krishna Chettiar’s family. Dewan Bahadur K. Sundaram Chettiar, retired Judge of the High Court of Madras and a long-term depositor with KVB, *presided*. The Chief Guest was C.R. Srinivasan, editor of the *Swadesamitran* and also a Director on the Board of the RBI. Guests had light refreshments at a specially erected pandal before moving into the auditorium where the programme began at 5.00 pm. After the prayer and the ceremonial lighting of a lamp, welcome addresses to the two honoured guests were read out and presented to them in silver caskets. Messages of congratulations from various parts of South India were then read out. Notable among these was a four-line verse in praise of the bank by the poet Namakkal Ramalingam Pillai.

Athi Krishna Chettiar then welcomed the gathering and in the course of his speech traced the history of the bank. Dewan Bahadur K. Sundaram Chettiar and C.R. Srinivasan spoke, after which the meeting ended. A handsome souvenir commemorating the 25 years of the bank and giving details of the celebrations, printed at Associated Printers, Mount Road, Madras, was released on the occasion. The memory of M.A. Venkatarama Chettiar was still fresh in the minds of those attending, for though he had passed away 15 years earlier, his contribution to the bank was immense. He had been its founder, had served on its Board for 18 years in various capacities and it was his vision that continued to guide the bank.



Above: The principal invitees for the Silver Jubilee function - C.R. Srinivasan and Dewan Bahadur Sundaram Chettiar.
Below: A news report from The Hindu on the Silver Jubilee function



*M.V. Lakshminarayana Guptha,
Director 1937-1971
Vice President 1959-1962
President 1962-1970*

The euphoria of the Silver Jubilee being over, it was back to business. Branches at Salem and Madurai (then known as Madura), were opened in 1942 and 1943 respectively. A description of the bank in 1944 emerges from a speech given by K.V. Raghavachari, Secretary at KVB from 1970 to 1977 and Chairman from 1977 to 1981:

“It was in April 1944 that I found myself sitting before the despatch counter, my first day in the Head Office of the Karur Vysya Bank Limited. There was silence becoming an office of a bank but not without the noise of the confabulations due to the transactions across the counter, crowned further by the voice of the Secretary and Chief Executive Officer of the bank Sri M. Lakshminarayana Chettiar. He was, as his wont, scanning the day’s correspondence so to say, beginning from the beginning with a voice which exhibited authority during the process of absorption of the contents of the various letters.

For a freshman this vociferation evoked some curiosity with a sense of respect for authority. But as days passed, this phenomenon became natural, for in its absence there arose a sense of eerie feeling that something was wrong somewhere!

Sri M. Lakshminarayana Chettiar, a graduate in Law, was a fatherly figure who commanded respect by his simplicity and devotion to his duties as a banker. It may be said the whole policy of the bank emanated from his appearance which was one of robust conservatism, which was looked upon as a basic virtue in any endeavour where the venture involved handling other’s money, both of the shareholders and depositors of course, for the universal benefit ultimately.

Those were golden days, for the bank’s advances were mostly on gold jewels, and winding up affairs of the year we used to exhibit nil ‘bad debts’ with a sense of pride, though we even then used to hear murmurs from the knowledgeable few that advances must be more broad based!

The Board of Directors was a devoted band of gentlemen each drawn from a well known family reposing complete confidence in the President of the Bank Sri Athi Krishna Chettiar, who was himself one of the Founders of the bank. Educated up to the Intermediate level, he was, so to say, a banker by instinct. The other founder, the late lamented M.A. Venkatarama Chettiar was represented in the Board by his illustrious son Sri M.V. Lakshminarayana Guptha, who at a later stage presided over the destinies of the bank as the President of the Board of Directors. With his colleagues Athi V. Suryanarayana Chettiar and M.S. Govindarajulu Chettiar, they formed a triumvirate in shaping the policy of the bank. Their sense of severe discipline, exacting in their demands as to the bank’s welfare, with an eagerness to do well, stood in good stead and with the willing co-operation of their colleagues and executives below them, the banking affairs were looked after with smooth precision and it functioned like a well-oiled engine.



M.G. Rajagopala Chettiar,
Vice President 1936-1946
President 1946-1962

Advances were kept to the maximum with the cost of maintenance being fairly low and the bank's profit at the end of the year was quite decent. The staff was provided with a bonus as high as five month salary and the shareholders too were quite happy as the dividend declared usually was in the range of 18% to 24%".

M.V. Lakshminarayana Guptha, referred to above, came onto the Board in 1937 as a Director and remained one till 1971. During this period, he served as the Vice-President of the Bank from 1959 to 1962 and then as President till 1970.

Athi Krishna Chettiar passed away in 1946 and was succeeded to the post of President by the Vice President M.G. Rajagopala Chettiar. He was to remain at the helm till 1962. His elevation meant further changes at the Board level. Succeeding him as Vice President was K.N.V. Ramaswamy Chettiar, son of one of the founding Directors, K.N. Viswanatha Chettiar. The passing of Athi Krishna Chettiar also meant that his family's representation on the Board would have to be taken up by his kinsmen. He was childless and so was succeeded first by his nephew Athi K. Venkatasubbaraya Chettiar as a Director on the Board, to be followed soon after by another nephew Athi V. Suryanarayana Chettiar. It will be remembered that at the time of the Silver Jubilee, just two of the early Directors, Athi Krishna Chettiar, one of the founders and V.S.N. Ramalingam Chettiar, were surviving. In 1947, the latter too passed away, bringing to an end the first line of representation on the Board, so to speak. It was now up to the next generation to make a success of the bank.

Coinciding with these changes was a complete transformation in the environment. The radio had come to Karur in 1939 and by 1946 a public broadcasting facility, set up by the municipality, had been erected near the arch that had been built in 1919 by the Zamindar of Andipatti in honour of a visiting Governor of Madras – Lord Willingdon and his lady. Each evening, the populace of the town gathered around the loudspeaker near the arch to hear the daily news. Matters were picking up pace. The Second World War had come to an end. True, the Axis Powers had been defeated but the holocaust had also revealed that England was not the super power that it once was. With Mahatma Gandhi and the freedom movement relentlessly keeping up the pressure, it was but a question of time before Independence would come. Expectations rose when Viceroy Lord Wavell got the Congress and the Muslim League to form an interim cabinet, in preparation for a hand over of power. Many European business houses had begun winding up their Indian presence even from 1944 onwards. Their companies in India were either closed or sold, often at throwaway prices to Indian entrepreneurs who eagerly snapped them up. The world of people who put up arches for visiting Governors was rapidly drawing to a close. For banks like KVB, it meant a whole new world to operate, survive and grow in.

கரூர் விய்யா
The Karur Vysya Bank Limited, Karur.
கரூர் வைய்யா பங்கு ஸீமிடெட்., கரூர்.
கரூர் வைய்யா பங்கு ஸீமிடெட்., கரூர்.

1948-49 ஆண்டின் 30-ம் ஆகஸ்டுமாதம் 31-ம் நாள் வரையில் கரூர் வைய்யா பங்கு ஸீமிடெட். ஆண்டின் கணக்கு அறிக்கை கீழ்க்கண்டவாறு உள்ளது.

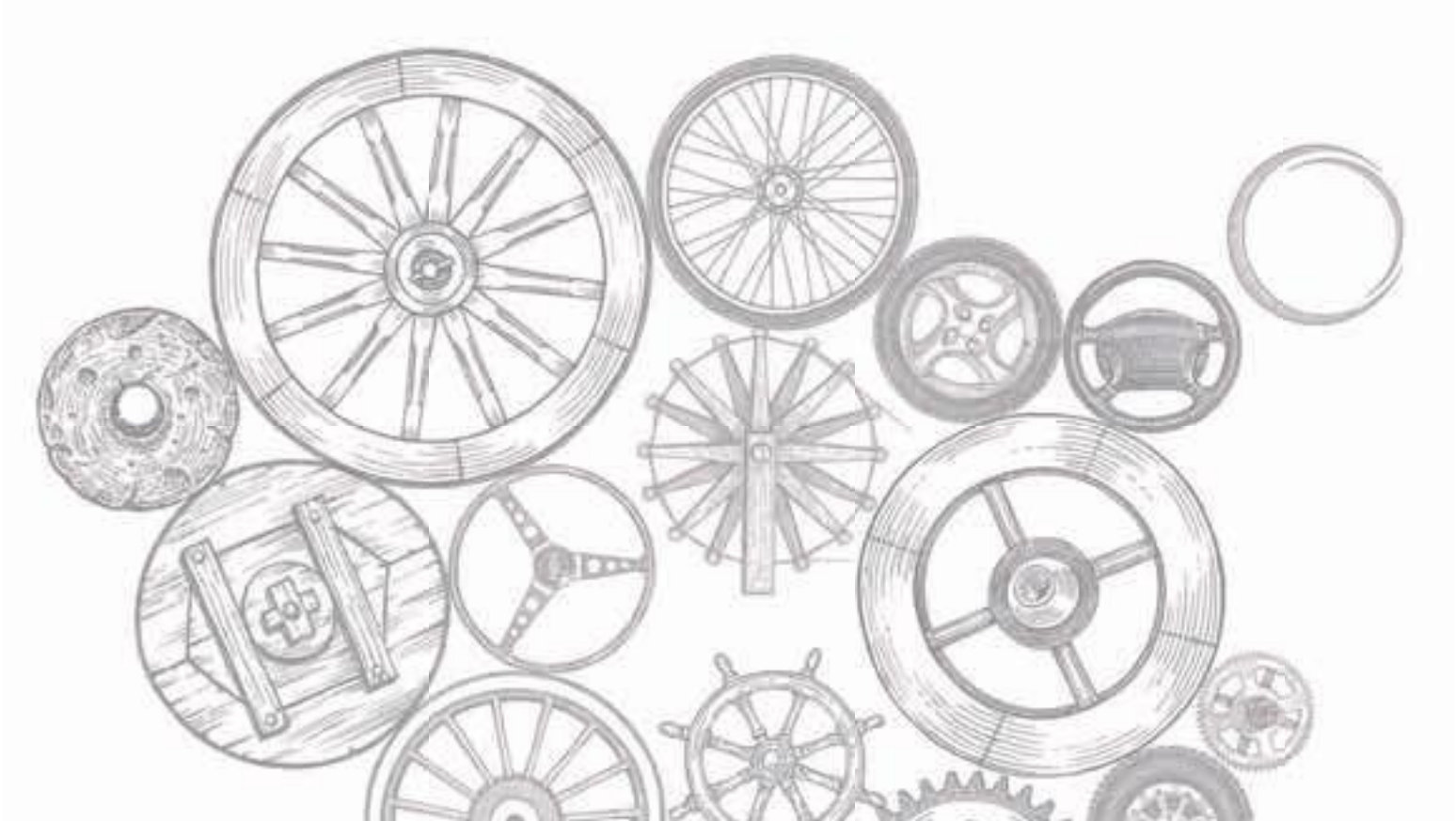
இந்த ஆண்டில் 30-ம் ஆகஸ்டுமாதம் 31-ம் நாள் வரையில் கரூர் வைய்யா பங்கு ஸீமிடெட். ஆண்டின் கணக்கு அறிக்கை கீழ்க்கண்டவாறு உள்ளது.

அட்வான்ஸ்கள்	ரூ.	1,100 0 0
கரூர் வைய்யா பங்கு ஸீமிடெட். ஆண்டின் கணக்கு அறிக்கை கீழ்க்கண்டவாறு உள்ளது.	ரூ.	9,200 4 4
கரூர் வைய்யா பங்கு ஸீமிடெட். ஆண்டின் கணக்கு அறிக்கை கீழ்க்கண்டவாறு உள்ளது.	ரூ.	35,800 0 0
கரூர் வைய்யா பங்கு ஸீமிடெட். ஆண்டின் கணக்கு அறிக்கை கீழ்க்கண்டவாறு உள்ளது.	ரூ.	31,000 0 0
கரூர் வைய்யா பங்கு ஸீமிடெட். ஆண்டின் கணக்கு அறிக்கை கீழ்க்கண்டவாறு உள்ளது.	ரூ.	350 0 0
கரூர் வைய்யா பங்கு ஸீமிடெட். ஆண்டின் கணக்கு அறிக்கை கீழ்க்கண்டவாறு உள்ளது.	ரூ.	400 0 0
கரூர் வைய்யா பங்கு ஸீமிடெட். ஆண்டின் கணக்கு அறிக்கை கீழ்க்கண்டவாறு உள்ளது.	ரூ.	400 0 0
கரூர் வைய்யா பங்கு ஸீமிடெட். ஆண்டின் கணக்கு அறிக்கை கீழ்க்கண்டவாறு உள்ளது.	ரூ.	33,425 12 0
கரூர் வைய்யா பங்கு ஸீமிடெட். ஆண்டின் கணக்கு அறிக்கை கீழ்க்கண்டவாறு உள்ளது.	ரூ.	10,000 0 0
கரூர் வைய்யா பங்கு ஸீமிடெட். ஆண்டின் கணக்கு அறிக்கை கீழ்க்கண்டவாறு உள்ளது.	ரூ.	1,15,124 5 4

(By Order of the Board)
(Sd.) M. G. Rajagopal Chettiar,
President.

2-12-1948

The bank's annual report for 1948 mentioning the unveiling of Athi Krishna Chettiar's portrait





CHAPTER - 5



THE KARUR VYSYA BANK LIMITED, KARUR.
Independence Day Celebrations 15th August '47.



SITTING LEFT TO RIGHT:-

1. Sri M. Lakshminarayanan, B. A., B. L., Secretary & Manager. 2. Sri Athi K. Venkatasubbaraya Chettiar, Director. 3. Sri V. S. N. R. Narasimha Chettiar, Director. 4. Sri Athi V. Suryanarayana Chettiar, Director. 5. Sri V. Rathnam Mudaliar, B. A., B. L., Dt. Munsif, President of the Function. 6. Sri M. G. Rajagopal Chettiar, President. 7. Sri K. N. V. Ramaswamy Chettiar Vice-President. 8. Sri M. V. Lakshminarayana Gupta, Director. 9. Sri M. B. Venkatasana Chettiar, Director. 10. Sri M. S. Govindarajulu Chettiar, Director.



In the Wake of Independence

*A*ugust 15, 1947, the day India became independent, was celebrated by all the branches of KVB. The bank also sanctioned half a month's wages to the staff as bonus to commemorate the occasion. Once the euphoria was over, it was business as usual. It appeared that little had changed. Raghavachari continues his reminiscences of the 1940s –

“Those days banking was the monopoly of the moneyed few and the modern concepts like deposit mobilisation and advances to the priority sectors were all unknown commodities. A. Krishna Iyengar will quietly wend his way into the bank, with a bundle of currency tucked inside his *angavastram*, go straightaway to the Secretary or Assistant Secretary and hand over the cash for being deposited. The lesser mortals like my poor self will not even be looked upon. Such was the secrecy cultivated and the monopoly enjoyed!”

The RBI was still busy at a pan Indian level, divesting itself of all activities in areas that had become Pakistan. Banks such as KVB continued to remain self-governing to a great extent. We turn to Raghavachari again –

“In those days, the bank's year was between October and the subsequent September. Internal accounts were always kept fairly up to date as there were checking clerks doing concurrent work under close follow up. The system is now extinct as it is considered archaic. But all the same, it did keep the internal accounting fairly perfect. Striking the balance sheet and the final accounts were always marked by the arrival of the Statutory Auditor N.C. Srinivasan, a gentleman of much bonhomie, genial in temperament and spirits. He was always welcomed by the staff as he was the forerunner of a substantial bonus! N.C. Srinivasan had great respect for M.S. Sadagopachariar, the head clerk of the bank, who was obliging, sincere and enjoyed the confidence of the Board, and the President, to be precise. But it was a sight to watch the auditor enjoying at the expense of the head clerk. For when a slip was pointed out he would be so flabbergasted that with a dip into the ink bottle with his steel pen he would make a correction where in fact none was necessary! From this position, banking underwent remarkable changes enforced one by one slowly and steadily commensurate with the modern concept of a socialistic pattern of society.”



Athi K. Venkatasubbaraya Chettiar,
Director 1946-1972



ஆகஸ்ட்-மீ 15 தேதி சுதந்திர விழா ஹெட்டாபிசிலும், பிராஞ்சுகளிலும் விமரிசையாகக் கொண்டாடப்பட்டது. ஷே தினத்தின் ஞாபகார்த்தமாக நமது பாங்க் சிப்பந்திகள் எல்லோருக்கும் அரைமாசு சம்பளம் போனஸாகக் கொடுக்கப்பட்டது.

Change was slow in coming but it was certainly taking place. The newly independent country was coming to terms with its rights and responsibilities. Early in April 1948, India began its journey on a socialistic model with the release of the Industrial Policy Resolution that outlined the approach to industrial growth and development. The document envisaged a mixed economy as the suitable basis for India's development and emphasised not only an increase in production but also its equitable distribution. Defence industries, atomic energy, and railway transport were to be monopolies of the Central Government. New ventures in coal, iron and steel, aircraft manufacture, shipbuilding, telephone, telegraph, etc., and mineral oils were to be preserves of the public sector. While stressing on greater participation of the State in economic activities, the document recognised the role played by private capital in the industrial development of the country, and assured it of a significant place in the future endeavours directed to the nation's economic development, though within a framework of regulation and control. Under the provisions of the resolution, the State would have an exclusive right to establish new undertakings in certain specific fields, pertaining mainly to the basic industries and the private sector was free to operate in the remaining spheres. But the Government did not rule out its own entry into the latter category as and when it deemed necessary. Given however that the Government had limited resources at its disposal, it was expected that it would focus on major projects. Based on its policy document, the Government visualised a framework of centralised planning which would oversee a mixed economy.

The Banking Companies (Control) Ordinance was promulgated in September 1948. This was a precursor to the Banking Companies Act, which would be passed a year later. As per the Ordinance, the RBI was authorised to issue directives to banking companies in regard to their lending policies and to call for periodic statements of return from banks. The Board at KVB must have discussed the implications of this when the members met on November 21 on the occasion of the unveiling of a portrait of Athi Krishna Chettiar, the late President. Doing the honours was Rao Saheb S. Virupaksha Chettiar, Deputy Commissioner of Civil Supplies, Government of Madras.



*Athi V. Suriyanarayana Chettiar,
Director 1946-1962
Vice-President 1962-1967*

The RBI was nationalised on January 1, 1949. It therefore came into public ownership and the Government was empowered to give directions to the bank on matters of policy, which the bank was then obliged to carry out. The Banking Companies Act, 1949, also came into force on January 1, 1949. It entrusted the supervision and control over banks to the RBI. Prior to this, inspection of banks by the RBI was limited to determining their eligibility for inclusion or retention in the second schedule to the RBI Act and to safeguard the interests of depositors. Now with the new Act, the powers of the RBI relating to both scheduled and non-scheduled banks were considerably enlarged; the bank was empowered to conduct inspections for a variety of purposes and on its own initiative. Further, the Banking Companies Act made it necessary for banks to obtain a licence from the RBI to commence or carry on banking business and to open new branches in the country.

At KVB, the compliance was swift and immediate. The bank changed its accounting year from October – September to January – December as stipulated in the Act. It must be remembered that KVB at that time was still not a scheduled bank and so need not have toed the line. It also complied with other directives. The RBI stipulated a statutory liquidity ratio (SLR) effective March 16, 1949. It mandated that any bank needed to maintain liquid assets in cash, gold, or unencumbered approved securities as a proportion of the bank's demand and time liabilities (current accounts and fixed deposits respectively, in contemporary language). This was pegged at 20 per cent. KVB conformed to this as well.

In 1952, the bank was accorded scheduled status, its name being included in the RBI Act. It was among the first of the South Indian based banks to so qualify. It would be almost five years after this that KVB was subject to its first inspection by the RBI. We turn to Raghavachari once more, for the picture he paints of this momentous occasion:



*M.S. Govindarajulu Cheltiar,
Director 1946-1982
Vice-President 1967-1970*




“In 1957, we were confronted by an inspection team of four individuals- an inspecting officer, a junior officer, a clerk and a jawan, the last with a sash across announcing that he was from RBI. Even when they were sighted in the distant west parading towards the bank’s office in the east end, news came to us of their approach. It was early July. I happened to be at the bank, signing ledgers in the Brought Forward accounts section. B.J.F. Desouza, the chief of the team accosted me as to how I was in the bank so early. The inspection began and the experience was quite new both to the inspecting team and the inspected institution. As years went by, we gained in experience and such inspections did help us to tone up the administration in general under all counts.”

In the early years of working with the RBI, the onus of answering most of the queries fell on C. Ramanatha Chettiar, Assistant Secretary who was of landed gentry stock. It was said of him that he was “quietly capable, wielding influence unseen and unfelt, enjoying the confidence of the Board to a full degree”. He was to have a long career at the helm of affairs, becoming in 1961 the Agent of the bank, this being the new title for what was Secretary earlier. Even after his retirement in 1968, he was closely involved with KVB and when he died in 1977, the bank was to mourn his passing.


In terms of banking activity, however, the 1950s were a cautious phase. The country itself was still coming to terms with nationalisation. Opinion was divided on this – while it was felt that it made banking more secure, there was also a view that the Government may push for activities into areas that were not commercially viable. The latter sentiment gained strength when the RBI set up the Department of Banking Development to give concentrated attention to the extension of banking facilities to semi-urban areas. At the same time, there was also a fear that the central bank favoured a consolidation of the industry with the amalgamation of small banks into more manageable entities of a larger size. The first major merger took place, largely at the prodding of the RBI in December 1950 when four small banks in Bengal were brought together to form the United Bank of India.



*C. Ramanathan Chettiar,
Secretary 1962-1970
Director 1970-1977*

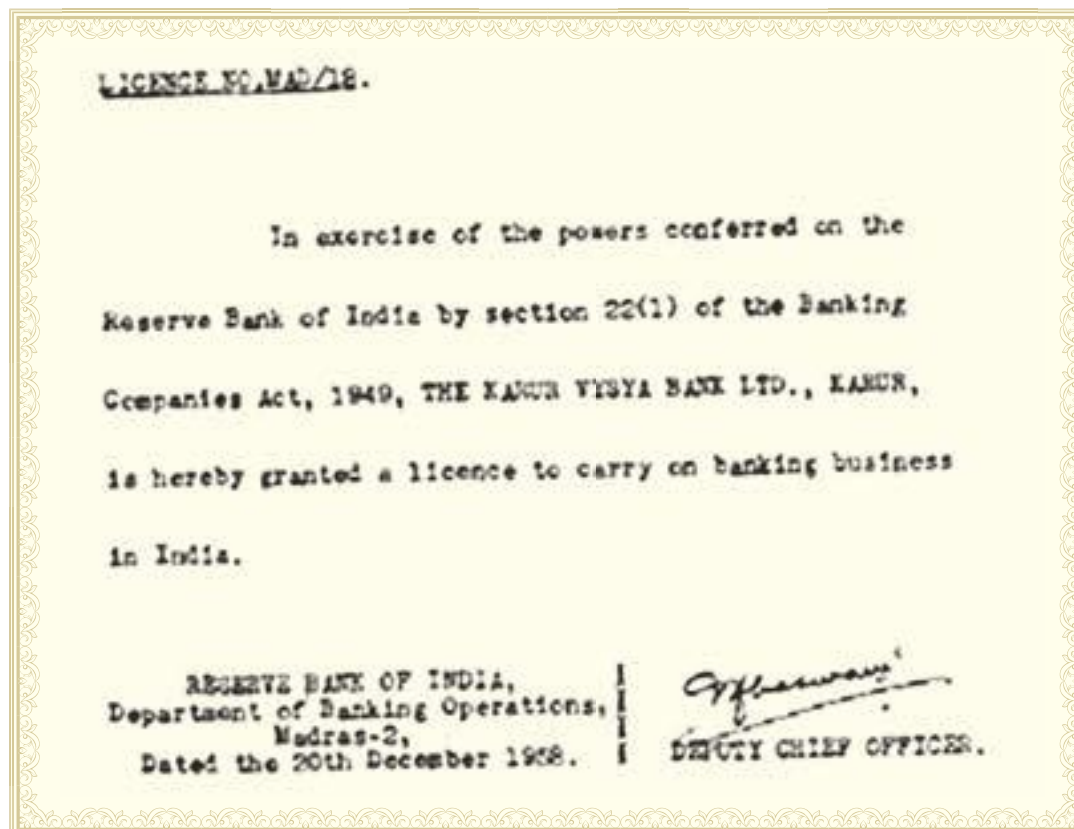


Next came the nationalisation of the Imperial Bank of India. In 1952, T.T. Krishnamachari, shortly after joining the cabinet as Industries and Commerce Minister wrote to the Finance Minister Sir Chintaman Deshmukh, “If I were you, I should put up opposite my seat in the room on the wall a slogan *Delenda est Imperial Bank* (“The Imperial Bank must be destroyed”, after Cato the Elder) but luckily for the Imperial Bank it is not so, and a more sober person happens to occupy the chair.” Others may not have expressed themselves so forcefully but T.T.K. wrote, “It (the Bank) is cent per cent European-controlled, and packed with Indians whose desire to please the European is psycho-pathological; the shareholders control



over the institution is a farce. Even the Government’s control over it is unreal”. It was in this charged atmosphere that the Minister came down to Madras to address the Madras Chamber of Commerce. In his speech he denied that the “Government was going to nationalise for the fun of nationalisation. We do not believe that nationalisation is a cure for all evils, economic or otherwise. If we feel nationalisation is good we may embark (on it) in regard to new industries. Government would like to start such industries which the private enterprise would not venture into; the future ownership of the industry would be left free. If somebody came at a later stage, it would be handed over to him who wishes to take it over”. None in the audience would have believed it, though disinvestment in Government enterprises would come about a good fifty years later. In December the same year, the Imperial Bank was nationalised and became the State Bank of India (SBI). Its character was to be changed overnight – among its first mandates was the opening of not less than 400 branches at “district headquarters and sub-divisional centres. It would also provide considerably larger remittance and other facilities to co-operative and other banks and attempt to mobilise rural savings”. In the pre-Independence era, it was unthinkable that the Imperial Bank would even consider opening offices in far-flung outposts. This was where regional institutions such as KVB scored. Now they would face competition from the biggest in the field. There was also SBI’s tag of being a Government of India undertaking. It was therefore considered more secure than any of the private banks.

KVB preferred to wait and watch. Its plans to open new branches had to await approval from the RBI. Its application for a banking licence too was pending. It is therefore no wonder that between 1947 and 1957, the bank opened just three new branches – Sathyamangalam and Udumalpet near Coimbatore and Idappadi near Salem. The bank also had its first rights issue in 1954 – 4,000 shares of Rs 25 each, at a premium of Rs 25 with a joining fee of Rs 2 per share.



Licence issued by RBI to KVB to carry on banking business in 1958

But these were by no means stagnant years as far as its hometown was concerned. Given that Karur was a busy junction for the movement of goods, it had already developed as a transport hub and many bus operators had made it their base. The wave of nationalisation that the country had seen gave rise to rumours that the road transport industry too would soon be taken over. Those in the business decided to diversify their activities so that in the event of being forced to hand over their core enterprise to the Government, they would have something else to fall back upon. Among the first movers in this direction were companies based in Karur. Those who had been into bus operations diversified into bodybuilding – assembling customised bus bodies on imported chassis. The facilities came to be set up in Karur. Very soon others followed suit and the area became known for assembly of bus bodies just as Namakkal, where it will be remembered KVB had a branch from early on, became a centre for truck body building. Happenings in Madras city were to serendipitously add to the impetus. It was in 1948, that a well-known industrial house of Madras experimented with the fitting of a Perkins diesel engine in a truck owned by an operator on Wall Tax Road. That was a success and demand for diesel engines to be retrofit on existing lorries skyrocketed. In Karur, a bus bodybuilding firm made the same attempt with a bus owned by a Salem-based operator. This was to expand the local activities even further. Soon Karur would become a bus body making hub, a status that it continues to enjoy.

Yet another line of activity would transform Karur forever into an export oriented town. It will be recalled that the place had become a centre for textiles, especially bed linen, which was in demand all over the country. Now it was time for the world to take notice. In 1949, some textile companies of Karur sent product samples for display to an exhibition in England. Not everybody benefited from this, but some companies began to see the advantage of exporting to Western countries. Those who had been selling nationally now wished to go global. By 1958, Karur bagged its first international order. It was a great moment for the town when the letter of credit was signed for this deal. Soon many other companies jumped on the bandwagon. All of them faced a similar problem – getting to know the end buyers in foreign countries so that the middlemen could be avoided. In typical Karur fashion, native intelligence found a way out. One of the owners hit upon the winning idea of sponsoring the overseas education of academically successful but impecunious students from Karur. The only proviso was that they had to source contacts for the textile business! It was through such efforts that what is today recognised as the Karur Home Textiles Cluster began to come about. A Government of India study in 2003 pegged the sales value of the 400 or so units that operated in the bed, table and home linen business in this area to be Rs 1,650 crores. Out of this only Rs 300 crores was from the domestic market. The same study also noted that the business had been well supported by nationalised banks and the locally headquartered banks such as KVB.

THE KARUR VYSYA BANK LTD.

(SCHEDULED BANK)

H.O. : KARUR Estd. : 1916

Branches :

MADHURAI, COIMBATORE, TRICHINOPOLY, KUMBA-
KONAM, SALEM, TANJORE, DINDIGUL, ERODE,
DHARAPURAM, KULITALAI, NAMAKKAL, GOBICHETTI-
PALAYAM & KARUR BRANCH.

We have pleasure to inform that the Reserve Bank of India have included our Bank in the Second Schedule to THE RESERVE BANK OF INDIA ACT, 1934.

Paid-Up Capital	..	Rs. 2,00,000
Reserves	..	Rs. 4,41,000
Deposits (as on 30-6-'52)	..	Rs. 96,00,000
Total Turn Over „ exceeds		
Rs. One Crore & Eight Lakhs		

FIXED DEPOSITS are received as under:

For 3 and 6 months period	@	3½% P.A.
For 1, 2 & 3 Years period	@	4½% P.A.

ALL KINDS OF BANKING BUSINESS TRANSACTED.

For particulars please apply to our Head Office or Branches.
M. LAKSHMINARAYANAN, B.A., B.L.,
Secretary & Manager.

An advertisement conveying that KVB had become a scheduled bank



The traditional lines of lending – jewel loans and retail credit continued. MG Vivekanandan recalls the busy atmosphere at the bank’s registered office, at Karur East opposite the Kanyaka Parameswari temple. “Today, it is all commercial, but in the beginning, loans were given to ordinary people pledging jewellery. We had an appraiser; he had the final say in the value of the jewellery. He worked on a commission basis. Sometimes we discussed amongst us whether a certain loan should be advanced. Decisions were taken by a group after careful consideration. Assessment of loans was on status, and the transaction depended on the security offered.”

The spate of legislations, much of which would define Indian banking and commerce till the end of the 1980s at least, continued unabated during this period. The Companies Act of 1956 would bring about changes in company promotion, formation and capital structure, meetings and procedures, presentation of accounts, audits, inspection and investigation of corporate affairs, formation of Board of Directors and its powers and the terms and conditions for appointing Managing Directors. The same year saw the passing of the Banking Companies (Amendment) Act that empowered the RBI to “give directions to banks in respect of matters of policy or administration affecting public interest or the interest of the institutions themselves”. These powers enabled the Reserve Bank to have wider and more comprehensive control over banks so as to ensure an improvement in their operational methods.

As KVB entered its fifth decade, it would adjust itself to another change – the introduction of the decimal system of coinage. The bank and its employees had till then contended with what would have been daunting to the most brilliant of mathematicians – a bewildering system of rupees, annas and paise and it was in these that the bank reported its accounts. In 1957, the Government legislated the decimal system of coinage. The anna was dead and 100 paises made a rupee. The earlier world in which 3 pies made a pice; 4 pice an anna and 16 annas a rupee was gone. With hundred paise now making a rupee, life became easier at least on some fronts! But with some of the old annas still in circulation, one, two and three naye (new) paise were introduced to allow for the decimal coinage to add up properly. These were to survive for long before being phased out.

பஞ்சாயத்தம்.
The Karur Vysya Bank Limited, Karur
கரூர் வைச்யா பாங்கு லிமிடெட், கரூர்
நிவாரண சம்பவக் கணக்கு

1959ம் வருஷம் மார்ச் மாதம் 30து தேதி திகட்டியுள்ள காலம் 10 மாதங்கு கணக்கு ஆரில் கட்டிடத்தில் கூடும் வருஷத்திற்கு மறு சம்பவக் கணக்கு நிவாரண சம்பவக் கணக்குகும் கிழைக்க, இத்துடன் அனுப்பிவைக்கும் 31-12-1958ம் தேதியோடு முடிவான சென்ற வருஷத்திய பரவல்கொடுக்க ஆண்டு வாச நஷ்ட அளக்குப்படி பாக்விடுகிறது கணக்குகப்பட்டதும், கணக்குகப்பட்ட வேண்டியதுமான கட்டி, வாட்டம் வகையறு சகல சிலவுகளுமே தவிர வாசம் ரூபாய் 3,87,662-95 க்குள்ளிருக்கிறது. இத்துடன் சென்ற வயது வாசத்தின் எடுத்து வைத்தது ரூபாய் 60,550-23 செத்து சொத்தம் ரூபாய் 4,48,213-23 ஆகின்றது.

சென்ற வயதில் நேரல் ஆரில்லும், பிரக்குகளிலும் வரவு சிலவுகள் திருத்திராயாக நடைபெற்றன. இவ்வயதிலும் அதொத்திரி நடைபெற்ற வருஷின்றன.

சென்ற நிவாரண சம்பவக் கிழைக்கவும் தெரிவித்திருந்தபடி சென்ற வயதில், திருப்பூர், பொன்னாச்சி, வேறு (N. A.) ஆகிய ஞான்று இடங்களிலும் பிரக்குகள் கைமாறிக் கெட்டுச் செல்வனென்று நடைபெற்ற வருஷின்றன.

காரியசெட்புபாணியம் பிரக்கு ஆரம்பம் முதல் அட்வையரி செம்மாரா இருந்து பாக்விடு அறிவித்தந்தியில் பிரத்தாக கெள்வதுகுத்திரி (சே. பர. சாமல்யாமி செட்டியார் கால்கு சென்றதற்காக வருத்தம் தெரிவித்துக்கொள் கிடுதும்.

சென்ற வயதில் ரிசர்வ் பாக்ஷர் Banking Companies Act 1949, Section 22படி தங்கு * இசென்ஸ் வழங்கிவிடுப்பதை மறிவுச்செய்யும் தெரிவித்துக்கொள்கிடுதும்.

புதிதாக சென்ற வயதில் கணக்குகப்பட்ட பொனல் கோடுகளுக்கு 1-5-58 முதல் புதி டெண்டர் கோடுக்க நிவாரணிக்கப்பட்டது.

தமிழ்நாட்டுக்கும் சர்க்கார் கடை பத்திரிககளின் கீழ் ஏற்றத்தாய்மை சிலகுத்த ரூபாய் 1,25,000ம் (investment receive)ல் எடுத்துவைத்திருக்கிடுதும். ஆறாம் தற்சமயம் இடூ கடை பத்திரிக கள் நாம் வாங்கியவிலையையிட ரூபாய் 22,000/- ஆகும் கூடி இரப்பதால் இடூ நிர்வகித்திருது ரூபாய் 25,000/- (இருபத்தைந்து ஆயிரம்) Statutory General Reserve டுக்கு மாற்ற நிவாரணித்து இருக்கிடுதும்.

கொத்த வாசம் ரூபாய் 4,48,213-23று கிழ்க்கண்டவாறு விவரிக்கொன்றம் என்ற விவரிக்கிடுதும்.

நிவாரண	ரூ.	3,972 00
சென்ற வயதில்	ரூ.	30,000 00
இளங்கட்டகால் ரிசர்வ்	ரூ.	1,90,000 00
பக்குதாக்களுக்கு புதிடெண்டர் வருஷம் 1க்கு	ரூ.	95,000 00
ரூ. 100க்கு ரூ. 21 வீதம்	ரூ.	700 00
விசல் அட்வையர்களுக்கு செல்லுபடியாவது	ரூ.	1,000 00
சென்ட்ரல் ஆரில் செட்டரிக்கு மெம்புகல் பொனல்	ரூ.	500 00
ஆரில் செட்டரிக்கு செட்டரிக்கு	ரூ.	62,000 00
மெம்புகல் பொனல்	ரூ.	22,071 23
கிப்பத்திகளுக்கு பொனல்	ரூ.	
அடுத்த வருஷத்திற்கு கொண்டுபோக	ரூ.	
ஆக சொத்தம்		ரூ. 4,48,213 23

பாக்விடு அறிவித்திருந்த பக்குதாக்கில், வரவுக்காணாய்ச்சி, பொதுஜனங்கன் அறித்த ஆரவுக்கு தன் திரி தெரிவித்துக்கொள்கிடுதும். இந்நிவாரண அறிவித்து துடித்து நுதலாய அறிக்கை கோருகின்றன. பாக்விடு கிப்பத்திகளின் உண்மை உண்மைய பொரிதும் யாக்கிடுகிடுதும். தமது பிரக்குகளில் இருந்து அட்வையரி கவிட்ட மெம்புகல் பாக்விடு அறிவித்திருக்கிறா கண்கூத்துடன் உதவி செல்லுபடியாவது பொரிதும் யாக்கிடுகிடுதும்.

மறு சம்பவக் கிழைக்கவுக்கும் பக்குதாக்கள் அறிவலும் பத்திரித்து யாணல்செட்டிக்கட்டும், வாச நஷ்டக் கணக்கையும், நிவாரண சம்பவக் கிழைக்கட்டும் அறிவிக்கக் கோருகிடுதும்.

சாதி, } By Order of the Board,
 21-2-1959. } (Sd) N. G. RAJAGOPAL CHETTIAR,
 President.

(* It must be distinctly understood, however, that in issuing the Licence the Reserve Bank of India does not undertake any responsibility for the financial soundness of the Bank.)

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